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WORLD NEWS

SAS soldier testifies in Gibraltar

The SAS squad which killed an IRA gang in Gibraltar had been told ruthless terrorists were prepared to use arms to carry out a bombing outrage against British troops, it was said yesterday, but the security forces would have preferred detaining the gang to shooting.

The evidence came from the first of seven SAS men to enter the witness box at the Gibraltar inquest. He testified from behind a screen and was simply called Soldier F. Page 4

In Northern Ireland, the Royal Ulster Constabulary warned that the IRA was intent on increasing its campaign of violence during the remainder of 1988. Page 3

Post settlement nearer

Postal workers' union leaders were last night considering proposals which could form the basis for a settlement of the strike. Back Page

More trouble for Quayle

More controversy surrounds Dan Quayle, Republican nominee for the US vice-presidency – this time over allegations about the way he entered law school in 1970. Back Page

Air show escape

Wind whipped up by an AN-124 Soviet transport aircraft sent a two-ton gate crashing towards spectators at Farnborough Air Show. No-one was hurt, but the Soviet pilot of the world's biggest aircraft was warned about flying so low. Anglo-French group wins engine contest, Page 4

Prayers as film opens

Prayer vigils were held outside three cinemas in London's West End where the controversial film The Last Temptation of Christ opened for the first time in Britain.

Immunisation call

Britain's record in child immunisation was "deplorable", Professor Roy Anderson of Imperial College, London, told the British Association. He urged compulsory immunisation for primary school children. Conference report, Page 4

Gaza network 'smashed'

The Israeli army claimed it had smashed a network of popular committees alleged to have organised the Palestinian rising in the occupied Gaza Strip. Page 3

Japan's child suicides

Eleven Japanese children aged between 11 and 14 killed themselves in the week starting the autumn term because of worries about their performance at school. High price of meritocracy, Page 3

Angola peace talks

South Africa, Cuba and Angola made progress at peace talks in Brazzaville, the Congo, aimed at agreeing a timetable for Cuban troops' withdrawal from Angola. Page 3

E Germany remembers

East Germany, which until recently denied responsibility for the fate of Jews under the Nazis, is to join West Germany in commemorating the start of pogrom against the Jews. Page 2

Azerbaijan entry barred

Foreign journalists have again been banned from visiting Azerbaijan, scene of ethnic unrest earlier this year. The republic had been reopened to the press only two weeks ago for the first time since February.

Ethiopia locust threat

Locusts breeding in northern Ethiopia will devastate crops within two weeks unless a 1,500 sq mile area can be sprayed in the next 10 days, said a senior UN Food and Agriculture Organisation official.

Elton £4.8m richer

The four-day auction of pop star Elton John's belongings raised £4,838,022 at Sotheby's in London.

BUSINESS SUMMARY

Maxwell may raise bid for Macmillan

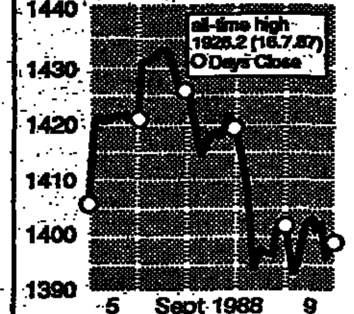
ROBERT MAXWELL said he was willing to raise his $2.35bn (£1.38bn) tender offer for Macmillan, US publishing group.

The UK publisher and chairman of Maxwell Communication Corporation also said he had taken over Italian printing company Panini, in a deal thought to be worth more than £50m. Page 20

FT Ordinary Index fell 22 points during the course of the week and closed yesterday at 1,398.5, off 3.9. The equity market was hit hard early in the week but fought back to close with only relatively minor losses. Page 12; Lex, Page 20

FT Index

Ordinary Share (hourly movements)



LONRHO, international trading company headed by Tiny Rowland, suspected a single buyer had accumulated a stake of about 3.75 per cent or 15m of its shares, following the unusually high turnover in the company's shares.

PHILIPS, Netherlands-based electronics group, is closing its Croydon television assembly plant as part of its plans to reorganise its European activities. Page 20

ANGLO-FRENCH aero-engine group Rolls-Royce Turbomeca will supply engines for the military version of the Anglo-Italian Westland-Agusta EH101 helicopter for the Royal Navy and the RAF. Page 4

US chip industry leaders demanded increased trade sanctions against Japan and called for revisions to the 1986 semiconductor agreement with that country. Page 3

BRITISH RAIL asked Lazard Brothers, merchant bank, to study the potential for private funding for the rail link between London and the Channel tunnel. Page 3

STEFANEL, Italian clothes producer, is to open two boutiques in Leningrad, the first time a European company will make and sell clothes in the Soviet Union. Page 2

FINLAND and the Soviet Union agreed to eliminate most of the trade imbalance between them with hard currencies. Page 2

DONNAY: Rival French businessmen bidding for the bankrupt Belgian tennis manufacturer announced they had formed a joint holding company to make the acquisition. Page 10

SHAMROCK Holdings, California-based company, sweetened its hostile takeover bid for Polaroid by increasing its offer to $2.4bn (£1.41bn) or $42 a share.

TATE & LYLE, diversified sugar refiner, strengthened its position in Europe through a deal with Belgian company CIP. The transaction will reduce Tate's stake in Staley Continental, US corn syrup group, but increase its interest in CST Group, European starch producer. Page 8

KLP Group, sales promotion consultancy with interests in direct mail, warned that profits for the year to end-September would be badly hit by the postal strike. Page 8

COOKSON GROUP, specialist metals and chemicals manufacturer, extended its £25.5m contested offer for Wolstenholme Rink, lithographic materials group. Page 8

MARKETS

STERLING
New York lunchtime:
$1.6975
London:
$1.697 (1.6965)
DM3.14 (3.1375)
FFr10.6775 (10.68)
SFr2.65 (2.6525)
Y226.75 (227)
£ index 75.7 (same)

GOLD
New York: Comex Dec $434.4
London:
$429.25 (428.25)

N SEA OIL (Argus)
Brent 15-day Oct $13.5 (13.30)

Chief price changes yesterday: Page 20

DOLLAR
New York lunchtime:
DM1.8495
FFr6.289
SFr1.5625
Y133.675
London:
DM1.85 (1.849)
FFr6.2925 (6.295)
SFr1.562 (1.563)
Y133.8 (133.85)
$ index 99 (99.1)
Tokyo close: Y132.95

US LUNCHTIME RATES
Fed Funds $8\frac{1}{8}$%
3-mo Treasury Bills: yield: 7.53%
Long Bond: $100\frac{1}{4}$
yield: 9.04%

STOCK INDICES
FT-SE 100:
1,738.4 (−1.4)
FT Ordinary:
1,398.5 (−3.9)
FT-A All Share:
901.25 (−0.3%)
FT-A long gilt yield index high coupon:
9.6 (9.59)
New York lunchtime:
DJ Ind. Av.
2,052.28 (−10.84)
Tokyo:
Nikkei
27,647.10 (−93.01)

LONDON MONEY
3-month interbank: closing $12\frac{7}{8}$% ($12\frac{3}{8}$)

Rival Burmese government calls for general election

PART of the Burmese opposition fighting to remove the government of President Maung Maung declared yesterday that it had set up a provisional government and called for a general election on October 9, writes Roger Matthews in Bangkok.

Amid continuing unrest and demonstrations in the capital Rangoon, more than 200 uniformed air force personnel marched through the city in defiance of army orders.

Diplomats reported a tense confrontation between the air force unit and armed troops, with civilian demonstrators kneeling in front of the soldiers begging them not to fire. The troops were applauded when they allowed the air force contingent to continue, again emphasising the critical role of the military in resolving the crisis.

Members of the new provisional government admitted yesterday that they could not succeed unless they won the army's backing. The group, headed by U Nu, who in October 1947 signed Burma's independence agreement with Mr Clement Attlee, the British Prime Minister, asked for support and recognition from foreign governments.

General Tin Oo, who was jailed in the 1970s for failing to report a coup plot, was appointed Minister of Defence in the provisional government by 82-year-old U Nu. He said yesterday that all opposition forces would be mobilised on Monday in an attempt to prevent the special congress of the Burma Socialist Programme Party which has ruled the country for 26 years.

President Maung Maung called the meeting to decide whether a referendum should be held on the introduction of multi-party democracy.

Delegates have begun arriving in the capital and troop reinforcements have been brought in by the government to protect them. Diplomats believe that the loyalty of the troops could be severely tested if demonstrators attempt to break through barricades which have been set up around the parliament building.

Rumours abound about possible defections by groups of soldiers, especially in provincial towns. But in the capital the army, while not attempting to prevent demonstrations, has given no indication of moving against the government.

Diplomats point out that no single opposition leader has yet emerged around whom all the anti-government factions could coalesce and who might also command the respect of the military.

The announcement of a provisional government was seen as largely symbolic especially as it included only those politicians belonging to the League for Peace and Democracy and excluded other important groups.

Foreign embassies in Rangoon have continued the evacuation of non-essential personnel.

Carlton to pay $780m for Technicolor

By Raymond Snoddy

CARLTON Communications, the UK-based television services company, is buying Technicolor, the US film processing and video tape duplicating company in an agreed deal worth around $780m (£458.8m).

Technicolor, a private company owned by Mr Ronald Perelman, the US businessman, is the largest acquisition the fast-growing Carlton has made so far and the first time it has bought a large established brand name.

Carlton is largely financing the deal through the biggest underwritten rights issue since the stock market crash in October last year. The 17 for 20 rights issue at 555p, raising £364m, has been underwritten by stockbrokers Shearson Lehman and Barclays de Zoete Wedd.

The Carlton share price fell 99p yesterday on news of the deal to 585p.

Mr Michael Green, Carlton's chairman, said: "Technicolor is uniquely placed to take full advantage of the video age. It greatly enhances Carlton's opportunities in the industry."

Technicolor was established in 1915 and was the founder of the colour film processing industry. It claims world leadership in both its main activities, with around 40 per cent of the market for film processing for the leading studios and 40 per cent of the market for video cassette duplication.

Mr Green said he realised that market conditions were not ideal for the rights issue, but he faced a deadline of yesterday for completing the agreement, which was signed at 8.15am.

Around 20 leading Carlton shareholders had been consulted and they said the deal should go ahead in spite of the difficult market conditions.

As well as the rights issue Carlton has raised a five-year $200m loan.

The acquisition was given a cautious welcome by analysts yesterday although there were some worries that it was a business in which margins could be squeezed.

Mr Green said he foresaw considerable growth in the demand for both of Technicolor's services.

The arrival of multiplex cinemas with an average of nine screens each was increasing the demand for the number of prints of films. There were now 23,000 cinema screens in the US and in the UK an additional 470 screens were forecast in the next 18 months.

Technicolor is at present producing 60m video cassettes a year. This has been forecast to grow to 75m next year.

The company employs over 1,600 people and in 1987 had operating profits of $46.9m on net sales of $298m. Operating profits of $34m are estimated in the first six months of 1988 on net sales of $185m.

The Technicolor acquisition fits in with Mr Green's long-term strategy of sticking to

Continued on Page 20

Lex, Page 20

Treasury rules out mini-Budget

By Philip Stephens and Peter Riddell

THE TREASURY will today seek to quash suggestions that the deterioration in Britain's trade position could prompt an autumn "mini-Budget" and will strongly defend the tax cuts in its March Budget.

Mr John Major, Chief Secretary to the Treasury, will use a speech in his constituency to dispel any remaining suspicion in financial markets that the Government might be forced into panic measures.

He will seek to reassure the markets that the recent rise in base rates to 12 per cent will slow the pace of spending in and bring a gradual reduction in the trade deficit.

Yesterday both the pound and the stock markets were steady, but sharp falls in share prices earlier in the week underlined continuing nervousness over the outlook for the economy.

Mr Major's comments, marking the beginning of a counter attack against Labour criticism of the Government's handling of the economy, will follow the Treasury's firm rejection earlier this week of the case for credit controls.

Mr Peter Lilley, the Economic Secretary to the Treasury, said that such controls would be both ineffective and unfair. The Government would continue to rely on interest rates to contain inflationary pressures.

That policy drew sharp criticism yesterday from Mr Neil Kinnock, the Labour leader, who said that high interest rates, would severely damage investment.

Mr Major, who this week began the Treasury's autumn round of negotiations with Whitehall spending departments, will dismiss opposition claims that the tax cuts in March contributed to overheating in the economy. He will describe the Budget as a far-reaching supply-side reform that will yield significant economic benefits far into the future.

The speech will also stress the Government's confidence in the underlying strength of the economy, saying the recent deterioration of the trade balance is a problem of success.

The official view is that higher borrowing costs, directed at cooling the housing market, will significantly curb borrowing and spending.

Mr Major is also determined to take a tough line in the public expenditure round, although it is acknowledged that it will be impossible for the Treasury to stick to its original £167bn cash planning target for 1989-90.

Nearly half of the £7bn contingency reserve for the year has already been committed to additional spending by local authorities, to nurses pay, to additional contributions to the European Community and to extra social security payments.

Higher inflation will add to the cost of social security benefits, and Mr Major faces additional demands for spending on education, health and defence.

Mr Kinnock told a meeting in his Islwyn, south Wales, constituency that the Government's attempt to cut back the trade deficit could only be achieved by cutting total consumption by £24bn. This is equivalent to an 8 per cent reduction in the standard of living.

The Government's approach would, he argued, store up "yet worse problems for the future in an economy already under-invested. This is the mess the Government has created after eight years of unprecedented oil wealth."

Editorial comment, Page 6; London Stock Exchange, Page 12; Lex, Page 20

Talks to start on reform of training in Scotland

By James Buxton, Scottish Correspondent

CONSULTATIONS are to start on Government proposals to reform the organisation of employment training and creation in Scotland.

Announcing this yesterday, Mr Malcolm Rifkind, the Scottish Secretary, said the Scottish Office would issue a consultation document, possibly a white paper, by Christmas.

The Government's proposals received the general endorsement of Mrs Margaret Thatcher, the Prime Minister, in a speech in Glasgow on Thursday evening. They envisage a possible merging of the Scottish Development Agency with the training functions in Scotland of the Training Commission.

A new body, which could be called Scottish Enterprise, would be formed and would function through a number of local agencies in which business people would play leading roles.

The scheme has been adopted by the Government from one drawn up less than three months ago by Mr Bill Hughes, chairman of the CBI Scotland, and originally presented as an attempt to eliminate unemployment in Scotland over a decade.

Yesterday Mr Rifkind suggested that the main emphasis of the proposals would be to improve industrial training in Scotland. He believed it no longer suffered *mass unemployment* but instead faced serious shortages of skilled labour, in spite of the existence of a large pool of unemployed.

Such shortages could become more acute as demographic trends reduced the number of entrants into the labour force.

Mr Rifkind said the proposals would have to go before the full Cabinet. Many details remained to be worked out, including the number of local agencies to be involved and whether the new body should incorporate any part of the Highlands and Islands Development Board.

Legislation would be needed

Continued on Page 20

An individual takes the initiative, Page 4

India refuses cricketers' visas

By Robert Mauthner, Diplomatic Correspondent

INDIA'S decision to refuse visas to eight members of England's cricket touring team because of their sporting contacts with South Africa could have serious consequences for international cricket, according to the British Government.

This warning was issued yesterday by Mr Colin Moynihan, the Minister of Sport, at Gatwick airport as he left for the Olympic Games in Seoul.

He spoke after the Indian High Commission in London had confirmed that Graham Gooch, the team's captain, John Emburey, the vice-captain, and six other members of the England squad would not be allowed into India.

The decision, if not reversed, will almost certainly lead to the abandonment of the winter tour of India.

Mr Alan Smith, chief executive of the Test and County Cricket Board (TCCB) said: "If the tour is off, and it looks as though it is, it will take a bit of time to consider what can be arranged for the winter."

The Indian authorities said that their decision was based on the 1977 Commonwealth statement on apartheid, known as the Gleneagles declaration. Under the terms of the declaration member governments undertake to discourage sporting links with South Africa.

An Indian Foreign Ministry official said in Delhi that it was unlikely that the eight, who also include Allan Lamb, Kim Barnett, Rob Bailey, Tim Robinson, Graham Dilley and Phil Newport – all of whom have played in South Africa – could overcome the ban by signing an anti-apartheid declaration.

The TCCB has always maintained the right to pick touring teams without reference to the views of host countries.

Though criticised by the British-South Africa Parliamentary Committee for depriving millions of Indians from seeing the England cricketers, the ban was welcomed by officials of the Anti-Apartheid Movement.

Mr Bob Hughes, chairman of the Movement and a Labour MP, said the England cricket authorities had been "insensitive" in their selection.

Mr Tom Pendry MP, chairman of Labour's Sports Committee, said the Indian Government had taken the only stand possible under the Gleneagles agreement and the TCCB had now to make it a *pre-condition of selection that* players should have no links with South Africa.

CONTENTS

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Austria Sch22; Bahrain Din0.650; Bermuda $1.50; Belgium BFr48; Canada C$1.00; Cyprus C£0.90; Denmark DKr10.00; Egypt E£2.25; Finland Fmk7.00; France FFr8.50; Germany DM2.30; Greece Dr120; Hong Kong HK$12; Iceland IKR125; India Rup15; Indonesia Rp3,100; Ireland IR0.80; Israel NS3.50; Italy L1700; Japan Y600; Jordan Fils.500; Kuwait Fils.500; Lebanon $L125; Luxembourg LFr48; Malaysia Rin4.25; Mexico Pes300; Morocco Dh6.00; Netherlands Fl3.00; Norway Nkr10.00; Portugal Esc120; S.Arabia Rls7.00; Singapore S$4.10; Spain Pta145; Sri Lanka Rup30; Sweden SKr9.00; Switzerland SFr2.30; Taiwan NT$85; Thailand Bht50; Tunisia Din0.800; Turkey L600; UAE Dh6.50; USA $1.00.

Weekend FT

The young Henry Moore

William Packer examines the nature of the sculptor's genius

Page I

Finance

The outlook for interest rates

Page VI

Property

Centre Point takes the spotlight

Page XX

Fashion

Lucia van der Post looks at fine American leatherware in the first of regular fashion features

Page XX

How to Spend It

British design is again hailed overseas

Page XXI

Books

Anthony Curtis on Graham Greene

Page XIV

Arts

Max Loppert on opera in the outback

Page XXIII

Private finance sought for emergent stock markets

By Stephen Fidler, Euromarkets Correspondent

A FUND to channel private investment into emergent stock markets of the Commonwealth is being proposed to the association's finance ministers, who will meet in Cyprus this month.

The initiative, developed from the ministers' meeting in Barbados last year, is designed to mobilise funds for portfolio investment and to encourage Commonwealth countries to improve the environment for foreign investors.

The fund, which would be called the Commonwealth Equity Fund, would be along the lines of funds in emerging markets established both by the International Finance Corporation, the private finance affiliate of the World Bank, and the Asian Development Bank.

The question of encouraging private equity financing has taken on heightened importance as debt finance to the developed world, particularly from commercial banks, has declined. This has been accompanied by reduced resistance in many developing countries to equity investment from abroad.

A report from the Commonwealth Secretariat, entitled Mobilising Capital for Development, concluded that flows of private finance to developing countries are much less than they could be.

The report suggests Commonwealth governments would not be expected to contribute to the fund, but "should indicate their support by ensuring that there are no fiscal, legal or other impediments to such inward investment in their stock markets".

The idea is to establish a commercially-viable "closed end" fund, of an absolute minimum of $50m (£29m). One potential attraction to Western investors would be access to markets which had been closed to them or were too small to track.

Ministers are expected to give the go-ahead to the proposal at their meeting in Cyprus, which will start on September 20, but are unlikely to go into detail on the subject.

The meeting, not to be attended this year by Mr Nigel Lawson, the Chancellor, will take place, as usual, a few days before the annual meetings of the International Monetary Fund and the World Bank, which are to be in Berlin this year.

Iraqi chemical arms use 'unproven'

By Thomas Goltz in Ankara

THE TURKISH Foreign Ministry said yesterday it could not confirm allegations that Iraq had used chemical weapons against dissident Kurds, despite claims by refugee Kurds that such weapons were used against them.

"From wide research and examinations [in the refugee camps] we have no data or information that could confirm these allegations," the ministry said.

In Washington, the State Department issued a statement that it was "convinced" Iraq had used chemical weapons against the Kurds. It called on Baghdad to desist. The Foreign Office in London yesterday unreservedly condemned any use of chemical weapons and said Britain was consulting other members of the Security Council on the possibility of holding an investigation of the use of such weapons by Iraq.

Iraq itself has vigorously denied using such weapons and has called for those Kurds who have fled the country during the past two weeks to return home under a general amnesty.

An estimated 100,000 Kurds crossed the border from northern Iraq into Turkey from about August 25, when Baghdad, having secured a ceasefire in the Gulf War with Iran, turned its army north to deal with the dissident Kurds loyal to the Kurdish Democratic Party of Mr Massoud Barzani, and the Patriotic Union of Kurdistan of Mr Jelal Talabani, a rival Kurdish leader. Both groups received support from Iran during the eight-year Gulf War.

After initial hesitation, Turkey opened the borders to the refugee Kurds on "humanitarian grounds" and placed troops between advancing Iraqi soldiers and the refugees.

In the camps lining the border, as well as in three tent cities set up by the Turks for the Kurds, all refugees insist that chemical weapons were used against them.

Proof of the use of such weapons is largely circumstantial, the Kurds having left most of their dead and wounded behind in their flight.

Western journalists on the border, however, found and interviewed one *peshmerga* (Kurdish guerrilla) who appeared to have suffered the effects of chemical weapons. He said his unit had been hit by an Iraqi gas attack and talked of various symptoms, including vomiting, runny eyes, shortness of breath, and loss of sensitivity of the skin.

Local doctors said no report on the man had been filed because they were recent graduates performing obligatory national service and did not feel competent to diagnose effects of chemical weapons on *such alleged victims.*

EC 'may need curbs on financial services'

By Guy de Jonquières

EUROPEAN Commission proposals for a single market in banking and financial services could not be used to restrict operations of institutions from outside the EC already established in a member-country, an EC official said in London yesterday.

However, Mr Geoffrey Fitchew, director-general of the Commission's financial services division, declined to rule out that the Commission might eventually seek such restrictions. The issue, still being discussed in Brussels, remained "an open question".

The EC would not have eliminated all internal barriers in financial services by 1992, and legislation or court action might be needed to remove them.

Mr Fitchew's views appear to diverge from those of Mr Willy de Clercq, External Affairs Commissioner, who recently suggested that non-EC institutions already licensed in one member-country would not be automatically entitled to operate throughout the single market.

Mr de Clercq said freedom would be granted only after those institutions' national authorities had satisfied the EC that they granted "reciprocity" in their treatment of companies from the Community. His remarks have aroused concern among many US and Japanese banks operating in London that they might be denied full access to the single market.

Mr Fitchew insisted yesterday that though the Commission's proposed directive on banking contained such a "reciprocity" clause, it was "absolutely clear" it would apply only to new licences issued to non-EC institutions after 1992.

Under Article 58 of the Rome Treaty, any company incorporated in any EC country qualifies as a Community company, with the same rights and benefits as local competitors.

Stefanel wins race to create Soviet chic

By Alan Friedman in Milan

FOLLOWERS of the fashion chic of Mrs Raisa Gorbachev, wife of the Soviet leader, will soon be able to stroll into one of two Italian clothes boutiques in Leningrad, as a result of a new joint venture announced in Milan yesterday.

The deal, which represents the first time a European company is to make and sell its clothes in the Soviet Union, will put Italy's Stefanel, a smaller rival to the more famous Benetton group, into partnership with Leningrad City Council.

The company, with a slight linguistic concession to the Leningrad locals, is to be called Stefalen. The Italians will hold 49 per cent of the initial share capital.

From early next year, two Stefanel boutiques are to open in Leningrad, one retailing middle-market men's and women's wear for roubles and the other for foreign currency.

Mr Giuseppe Stefanel, at 36 a younger version of Mr Luciano Benetton, who hails *from the other side of the Piave river in* the Veneto town of Treviso, could hardly contain his glee at having pipped his rivals at the post.

Benetton, which has been negotiating a Soviet deal for nearly two years, was gritting its teeth yesterday with a terse "no comment".

Stefanel had consolidated sales last year of L218.5bn (£93m), which is only a sixth of total Benetton sales. Benetton now boasts 4,500 shops around the world while the hungrier and leaner Stefanel has only 880 outlets.

On Wednesday, a team of Stefanel technicians, designers and shopfitters will be on its way to Leningrad, with ambitious plans to convert two old Soviet clothing factories into Stefanel knitwear and textiles plants. The plan calls for the shop openings in early 1989 to be followed by importation of raw materials from Italy for what Mr Stefanel yesterday termed his first line of "Made in the USSR" fashion.

States seek more money from Bonn for German refugees

By David Marsh in Bonn

THE BONN Government yesterday came under pressure to put up more cash to house a flood of ethnic German refugees from the Soviet Union and elsewhere in eastern Europe.

Ministerial representatives from the federal states (Laender) said after a meeting with Chancellor Helmut Kohl that the Bonn Government appeared to be considerably underestimating the funds needed to cope with the refugee tide.

The states say that a total of DM3.6bn (£1.2bn) is needed over the next few years for a crash building programme across the country to provide homes for the immigrants. This is double the figure put forward by the Government.

They also want Bonn to take over a higher share of total funding on the grounds that the refugee problem, as an indirect consequence of the second world war, is within the central government's competence.

Mr Herbert Schnoor is Interior Minister of North Rhine Westphalia, the most populous West German state, which is attracting about 43 per cent of the immigrants. He said further funds were needed to provide temporary accommodation for the newcomers. He put at DM750m the immediate needs of his state to provide provisional homes for 45,000 refugees.

A total of 200,000 ethnic Germans, the largest number since 1950, is expected to come to West Germany this year from the Soviet Union and other communist countries, mainly Poland, Romania and Czechoslovakia.

The exodus from areas in which German settlers have lived for centuries has been provoked by the Soviet Union lifting restrictions on emigration, as well as by economic problems in Poland and other parts of eastern Europe.

The Bonn Government has called for years for Germans to be allowed to emigrate from eastern Europe, in view of the post-war problems they have faced as members of minority groups, but Bonn has not been prepared for the problems of dealing with the present inflow.

Mr Kohl has lately been repeating the need for the Federal Republic to face up to the "national challenge" of coping with the refugee flood. Under the German constitution, any of the 4m or so ethnic Germans living in the Soviet Union and elsewhere in communist Europe has a right to settle in West Germany.

The Chancellor has been unable so far to overcome the reticence of Mr Gerhard Stoltenberg, Finance Minister, about putting up more funds for federal programmes to meet refugee requirements.

Mr Kohl, who is considering a personal visit soon to the main refugee transit camp at Friedland near the East German border, seems likely to argue for an increase in refugee finance because it looks as though like the numbers of refugees will continue at the present rate at least until the end of the decade.

Gorbachev invited to Strasbourg

By Quentin Peel in Moscow

MR Mikhail Gorbachev, the Soviet leader, has been formally invited to address the European Parliament, and Dr Andrei Sakharov, the Soviet Union's most famous dissident, to present a human rights award in Strasbourg.

The two invitations were issued by Lord Plumb, president of the Parliament, at the end of a three-day visit to Moscow, the first fruits of the diplomatic recognition granted by the Soviet Union to the European Community in June.

Also, Lord Plumb gave his blessing to closer co-operation between the EC and Comecon, the Soviet-led communist trading bloc, and between the EC and the Soviet Union.

He called for urgent negotiations between top-level officials on agriculture, in the *light of EC attempts to reduce* production as Moscow is trying to raise food output.

A visit by Mr Gorbachev to Strasbourg could well suit both sides. *It would provide* the Soviet leader with an ideal platform on which to press his ideas of the need to create a "common European home", *and it would give the parliament the sort of international stature it is seeking.*

Most previous official visitors to the parliament have been *heads of state, including* President Ronald Reagan, or prime ministers. Lord Plumb had to issue his formal invitation through Mr Andrei Gromyko, the Soviet head of state, because no meeting with Mr Gorbachev could be arranged for him.

As for Dr Sakharov, whom *Lord Plumb met the night* before his departure yesterday, he has been invited to present a human rights award named in his honour, at Strasbourg in December. Lord Plumb has formally asked Mr Gromyko yesterday to give the distinguished nuclear physicist permission to attend.

Arafat backs 'government' plan

By Andrew Gowers, Middle East Editor

MR YASSIR Arafat, chairman of the Palestine Liberation Organisation, has put his weight behind plans for the PLO to declare a provisional government for the Israeli-occupied West Bank and Gaza Strip.

In an interview with the United Arab Emirates newspaper Al-Ittihad, he said the organisation would debate its options at a meeting of the Palestine National Council, regarded as the Palestinians' parliament-in-exile, in Algiers next month.

However, the meeting might yet be postponed until after the Israeli and US elections in November.

The interview marked Mr Arafat's first public endorsement of the idea of a provisional government, which might be accompanied by a unilateral declaration of independence by Palestinians in the occupied territories.

PLO leaders have said in recent weeks that their plan to present a new political programme for the organisation would be based on the 1947 UN partition plan for Palestine.

By floating the idea to friendly governments now, Mr Arafat is seeking maximum international support before the PNC meeting. He can be expected to flesh out his plans at a meeting with members of the European Parliament in Strasbourg on Tuesday.

Establishment of a provisional government would be regarded by the PLO as a big step towards co-existence with Israel. However, key Western countries — such as the US, Britain and France — have already indicated that they would not recognise such an entity.

Britain and France recognise states rather than governments. The US will not abandon its refusal to deal with the PLO unless the organisation explicitly accepts Israel's right to exist and renounces terrorism.

Moscow, Finns end trade tilt

By Olli Virtanen in Helsinki

FINLAND and the Soviet Union have agreed to use hard currencies to eliminate most of the huge trade imbalance between the two countries.

Also, Moscow has agreed to pay interest on most of Finland's remaining surplus, and hard currencies will become optional in trade transactions.

Finland has tried to negotiate for years to reduce its surplus, now 700m roubles (£650m), which amounts to a largely interest-free loan to Moscow. According to some estimates, Finland has lost FM 1bn (£133m) during this decade in financing the persistent trade surplus.

The agreement, reached yesterday in Helsinki, was mainly what Finland had sought. The maximum trade imbalance will be limited to 200m roubles as of January 1 1990. A deficit above that limit must be settled quarterly in hard currencies. Also, a deficit above 100m roubles will earn interest at "international money market" rate.

Export Credit of Finland, the state-owned financing institution, will help balance the accounts this year and next by granting a 300m rouble loan to Moscow. Finnish companies have signed exports agreements worth a total of 500m roubles with the Soviet Union, but Finnish authorities have not licensed the deal because of the imbalance. The credit will help many of these deals to be concluded.

Despite the favourable agreement, Finnish officials say the imbalance will remain high until the end of next year.

East Germans to mark Nazi pogrom anniversary

By Leslie Colitt in Berlin

EAST GERMANY, encouraged by a survivor of the Auschwitz death camp, has agreed to join West Germany in officially commemorating the 50th anniversary of the beginning of the Nazi pogrom against the Jews.

East Germany until recently denied responsibility for the fate of European Jews under the Nazis, claiming that unlike West Germany it had rooted out all traces of fascism.

The East German decision to hold a commemorative meeting of the Volkskammer (parliament) on November 8 was encouraged by Mr Heinz Galinski, the head of West Germany's Central Council of Jews. After surviving the Auschwitz and Bergen-Belsen concentration camps Mr Galinski returned to Germany to help rebuild a Jewish community in West Berlin, for which he was widely criticised by Jews elsewhere.

Mr Galinski held talks last June with Mr Erich Honecker, East Germany's leader, and urged East Berlin to mark "Reichs Crystal Night", when synagogues were set ablaze throughout Germany and many Jews taken into custody.

The West German parliament is to meet in special session on November 9 and Chancellor Helmut Kohl will speak at a ceremony in Frankfurt organised by West Germany's 30,000 remaining Jews.

The East German State Secretary for Church Affairs, Mr Kurt Loeffler, told Mr Galinski this week that East Germany would send official delegations to the Frankfurt ceremony and to a silent march to West Berlin's Jewish community centre on November 8.

East Germany, with fewer than 400 Jews, has softened its previous stance against joint responsibility for the holocaust. This has taken place against the background of a rash of recent anti-semitic incidents in East Germany.

The East German writer, Mr Stephan Hermlin, a friend of Mr Honecker, said recently that East Germany was experiencing an unprecedented upsurge in anti-semitism and criticised the "self-complacency" of many East German officials.

Mr Honecker, himself incarcerated in a Nazi prison for eight years, was said to be deeply troubled by the outbreak of anti-semitism and ordered that it be vigorously combated.

US wholesale prices rise 0.6% in August

US WHOLESALE prices rose 0.6 per cent in August as energy prices rose at their steepest rate since April but food costs rose only moderately, AP reports from Washington.

If the April increase held for 12 straight months, inflation at the wholesale level would amount to 6.9 per cent, more than triple the 2.2 per cent rise in 1987.

Food prices one step short of the retail level were up a moderate 0.4 per cent, the same as in July. This is another indication that the effects of the drought are moderating after steep rises in May and June.

Energy prices rose a sharp 2.2 per cent, with petrol costs up 3.8 per cent. Natural gas prices rose 3.8 per cent as heating oil costs fell 0.2 per cent.

For the first eight months of 1988, the Labor Department's Producer Price Index for finished goods was up 4.3 per cent, calculated on an annual basis and adjusted for normal seasonal variations.

Tunisian poll

Tunisian President Zine al-Abidine Ben Ali was quoted yesterday as saying his country would hold presidential and general elections in November next year, two years to the day after he took power, Reuter reports from Tunis.

In an interview with the French daily Le Monde before an official visit to Paris next week, Mr Ben Ali said the presidential election would take place on November 7, the same day as the planned general election.

Mr Ben Ali was Prime Minister when he ousted ageing President Habib Bourguiba last year.

US to press Europe over Airbus dispute

By Peter Montagnon, World Trade Editor

MR ALAN HOLMER, Deputy US Trade Representative, is to visit Europe next week in a further effort to persuade European countries to resolve their dispute with the US over subsidies on Airbus aircraft.

The visit will be the first contact between the two sides since July, when the Reagan administration decided against imposing trade sanctions but warned its European partners that the dispute could intensify if they were to grant any more subsidies to the Airbus consortium.

One of Mr Holmer's main purposes will be to try to establish whether or not the four Airbus governments plan to make additional subsidies available, a US trade spokesman said.

In talks in Brussels, Bonn, Paris and London, he will also underline that the US continues to regard the Airbus issue as a serious trade problem, despite its current no-sanctions policy, and will press for new efforts to resolve the present stalemate.

In the background are US fears that some countries may be tempted to inject fresh funds to Airbus, whose competitiveness against US aircraft has declined as the dollar has weakened.

These fears focus mainly on West Germany but British Aerospace is also understood to have made a formal request for more government money.

The company will not confirm or deny this, but the request is thought to have met a cool response.

The Reagan administration made clear, when fixing its no-sanctions policy in July, that it would seek fresh talks with its European partners. However, it has been frustrated by Europe's slow response as a result first of the recent holiday period and then of the postponement of a meeting of European Airbus ministers scheduled for the Farnborough air show this week.

This meeting, at which Airbus reorganisation as well as the US dispute will be discussed, was postponed because of the absence in Australia of Lord Young, Britain's Trade and Industry Secretary. It is now expected to take place in early October.

Garcia denies rumours of resignation

PRESIDENT Alan Garcia of Peru held an impromptu press conference at the Government Palace on Thursday afternoon to deny rumours that he was planning to resign, writes Veronica Baraffati in Lima.

This was his first public appearance after the announcement of a severe austerity plan by Mr Abel Salinas, Minister of Economy and Finance, late on *Tuesday evening.*

Mr Garcia's opposition to the radical measures is well known and it is said he wanted to deny the final version, but this was quashed by Mr Armando Villanueva Del Campo, his Prime Minister, with the backing of the governing APRA Party.

"The rumours about my resignation are not serious. I won't *run away from a difficult* situation. This would be a sign of disrespect to history and the Peruvian people, and I would reveal a lack of responsibility to leave my position at such a difficult time," said Mr Garcia.

He said the Government was intent on reopening discussions with the international financial community, but not with the IMF.

Cap the Knife picks up his pen

By Janet Bush in New York

MR Caspar Weinberger, known affectionately as Cap the Knife during his stint as US Defence Secretary in the present administration, has been appointed publisher of Forbes Magazine, chronicle of the US super-rich.

Mr Weinberger, aged 71, will take up his post on January 1, armed with notable credentials. He was president of Harvard University's student newspaper and has been a part-time columnist and book reviewer for Californian newspapers.

Former officials of the Reagan administration are no strangers to writing. Mr Donald Regan, former Treasury Secretary and White House chief of staff, set Capitol Hill alight this year with tales of astrology in the White House.

Mr David Stockman, former Budget Director and a formidable adversary of Mr Weinberger during the 1980s defence build-up, wrote a celebrated account of the creation of the budget deficit.

However, Mr Weinberger's appointment could outshine all previous forays into the literary world. As well as his duties as a publisher, he will write a regular column on subjects of his own choosing.

The alliance between the *dour former defence secretary* and Mr Malcolm Forbes, the glamorous editor-in-chief, seems an unlikely one.

Mr Weinberger's world was one of MX missiles and war in space. Mr Forbes likes Harley Davidson motorcycles, was admitted to the Aviation Hall of Fame in 1985 for being the first person to fly solo across the US in a hot-air balloon, has a fêted collection of Fabergé eggs and takes Elizabeth Taylor to parties.

Maybe there will be cosy fireside chats about politics — Mr Forbes ran for the governorship of New Jersey in 1957 and lost — or Mr Weinberger might learn to ride a Harley Davidson.

Senate majority on textile bill is short of two-thirds

By Nancy Dunne in Washington

THE US Senate yesterday passed a highly protectionist textile, apparel and footwear bill, by a vote of 57 to 32, well short of the two-thirds majority *needed to override an* expected presidential veto.

A similar measure passed the House last year, where it also fell far short of the two-thirds needed to override a veto. However, the widespread resentment of imports could bring added strength to the bill's backers.

The legislation would impose global quotas on textiles and apparel at 1987 import levels, allowing 1 per cent per year for growth over the next decade.

The greatest obstacle for final passage of the measure through both houses is time. Congress is set to adjourn in the first week of October, and *backers must* resolve differences between the House and Senate bills without a long, complex conference.

Support for the measure has been bi-partisan. Senator John Heinz, a Pennsylvania Republican, yesterday urged passage of the bill he said would "would reverse the US role as a dumping ground for the world's imports".

Senator Phil Gramm, a Texas Republican, warned that the measure would, under the General Agreement for Tariffs and Trade, force the US to pay compensation "in computer chips, chemicals and high technology — areas that have wages two or three times as high as the textile industry".

Sir Roy Denman, EC ambassador to the US, has warned of serious consequences if EC textile sales are affected. In a letter to Senator Robert Byrd, the Senate majority leader, he said: "At a time when the EC is reducing its own agricultural support and is under pressure to restrict agricultural imports, it would be difficult to resist pressures to extend retaliatory measures beyond textiles".

The bill has been widely condemned outside Congress. One study, by the Institute for International Economics, said current quotas on textiles and apparel cost American consumers $20bn (£11.7bn) a year, and the new restrictions would cost an additional $20bn by 1996.

Dutch passport resignation

By Laura Raun in Amsterdam

THE TRAGICOMIC Dutch passport affair apparently ended yesterday with the resignation of Mr Rene van der Linden, State Secretary for Foreign Affairs.

He was accused of misleading MPs over the issue of a new passport, in a parliamentary inquiry which has been bogged down by problems over anti-fraud elements and cost overruns.

The affair has been viewed as a distinctive Dutch drama in which minor mistakes cost political lives. But the delays are becoming serious.

Dust up over Italian speed limits

By John Wyles in Rome

Agnelli: 'anti-technical'

MANY THOUSANDS of Italians are expected to prolong their weekend sojourns at the beach and in the countryside until midnight tomorrow, to be able to enjoy driving legally at 130kph (81 mph) instead of 110kph.

An image of battalions of drivers lining up at motorway entrances *with engines racing* was conjured up yesterday by a spokesman for the Italian Automobile Club (ACI) as a further lurid argument against the government's decision this week to impose a two-tier speed limit from tomorrow midnight.

"We fear that there could be some nasty accidents and traffic jams in the early hours of the morning as people delay their return to the cities," he said yesterday, contemplating a restriction which imposes a limit of 130kph during the week and 110kph at weekends and on public holidays.

The ACI's belief that the new *limits are confusing, contradic*tory and even counter-productive has plenty of support from those who earn their living by automobiles.

Mr Gianni Agnelli, president of Fiat regards the decision as "anti-historical and anti-technical", while Mr Sergio Pininfarina, who has spent a lifetime devising go-faster car bodies, believes the country's mobility will be reduced.

The whole "Italian mess", as some newspapers and politicians have dubbed the affair, derives from the fact that, in mid-July, Mr Enrico Ferri, an obscure Minister of Public Works, sprang on an unsuspecting nation a temporary limit for the peak holiday season of 110kph.

Mr Ferri then strode into a public battle with his colleague at the Ministry of Transport, Mr Giorgio Santuz, over how to proceed when his measure expires tomorrow night.

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OVERSEAS NEWS

US chip industry calls for new trade curbs on Japan

By Louise Kehoe in San Francisco and Ian Rodger in Tokyo

LEADERS of the US electronics, computer and semiconductor industries are calling for revisions to the controversial 1986 semiconductor agreement with Japan, and for increased trade sanctions against that country.

The industry group, which represents semiconductor users and producers, will present its proposals to cabinet-level meetings at the Commerce Department and the Office of the US Trade Representative, in Washington within two weeks.

More detailed recommendations will be put together over the next two months.

The calls for tighter controls have prompted a strong response from Japan, where government officials said yesterday they would be furious if the US were to intensify sanctions.

The proposals call for a suspension of the Commerce Department's system of fixing minimum "fair market value" prices for Japanese memory chips and for the simultaneous enactment of other anti-dumping measures.

Also, the industry group has asked the US Government to consider increasing trade sanctions imposed against Japan last year for its failure adequately to open its $16bn semiconductor market to US chip producers.

The five-year bilateral trade agreement incorporates measures to ensure an end to alleged Japanese dumping of memory chips on the US market, and an undertaking by Japan to open its semiconductor market to foreign producers.

It appears unlikely that President Ronald Reagan will impose new sanctions on Japan in the last months of his administration but industry executives believe their recommendation will strengthen the US hand by threatening Japan, and that it will influence the successor administration from January.

The Japanese feel that the existing sanctions, involving 100 per cent tariffs on a range of Japanese exports to the US worth about $165m a year, are no longer justified and should be lifted immediately.

However, the Japanese Government recognises that nothing is likely to happen until a new administration has taken over in Washington.

An official of Japan's Ministry of International Trade and Industry said yesterday it was wrong of the US to blame Japan alone for the slow growth of US market share in Japan, now 10.4 per cent compared with 9.2 per cent a year ago.

Ministry officials said yesterday US chip sales in Japan were rising at an annual rate of 70 per cent, thanks to the buoyant Japanese market. They said the main reason sales were not growing more rapidly was that US producers did not have the capacity to supply more chips. They also pointed out that it was only in the Japanese market that US producers were increasing market share.

The officials noted that Japanese consumers were becoming more conscious of the need to buy foreign chips. This was evident in plans revealed last month by Toyota Motor, the Japanese automobile group, to enter a joint venture with Motorola of the US to develop chips for cars.

The bilateral pact has been blamed by chip buyers for exacerbating a serious shortage of DRAMs (Dynamic Random Access Memory chips), which are critical in all types of computers and electronic equipment. The issue has caused a rift between chip users and producers in recent weeks, with some factions calling for big portions of the trade agreement to be scrapped.

Seoul to review North's unity offer

By Maggie Ford in Seoul

THE SOUTH Korean Government is to review a proposal from President Kim Il Sung of North Korea on reunification of the peninsula, amid calls by opposition leaders in the south for a positive response.

The president suggested that a meeting be arranged with his southern counterpart, President Roh Tae Woo, to discuss a non-aggression pact between the two sides, as well as a peace treaty with the US, which maintains troops in the south.

Speaking at a ceremony to mark the 40th anniversary of North Korea's foundation, attended by the Chinese president and other senior communist bloc officials, Mr Kim said he would be glad to discuss the reunification of the Koreas on a confederal basis, with each side retaining its political and economic systems.

Kim Il Sung: call for treaty

He also signalled the north's wish to open economic and technological links with Western countries.

Seoul Government officials were yesterday studying the proposal, which follows the call from Mr Roh in July for a new approach to the relationship with the north.

Both Mr Kim Dae Jung and Mr Kim Young Sam, the two main opposition leaders, welcomed the northern president's speech, and suggested that Mr Roh should respond to it positively.

Although talks on a confederal system might cause difficulties, problems could be solved through discussion, they said.

Mr Kim Dae Jung urged the continuation of parliamentary talks, which were suspended last month until after the Olympic Games, due to start next Saturday in Seoul.

Meanwhile, the prime minister's office here announced that it will co-operate with the investigation into former President Chun Doo Hwan's activities, which are an increasing embarrassment to the ruling Democratic Justice Party.

Students have demonstrated over delays in the investigation on and near campuses in the past two days, some of them having been arrested.

Israelis 'smash' Gaza network

By Eric Silver in Jerusalem

THE ISRAELI army yesterday claimed to have smashed a network of 37 popular committees which are alleged to have organised the Palestinian uprising in the occupied Gaza Strip.

Troops also detained 17 activists in a dawn raid on a West Bank village.

In a co-ordinated military sweep, the army arrested 200 Gaza Arabs, including a man believed to be the ringleader in the strip, and a squad suspected of murdering an Israeli farmer beyond the old green line border.

An army spokesman said the 200 had carried out 45 attacks on Israeli soldiers, set fire to 40 to 50 Arab-owned shops and committed other acts of intimidation against suspected collaborators.

On the West Bank, bulldozers cleared rocks blocking the entrance to Malik, near Ramallah, and arrested 17 young Arabs. This was the second such clampdown on the West Bank this week. About 150 activists had been picked up earlier in the town of Kalkilya, near the old border east of Tel Aviv.

A curfew imposed at the start of the operation yesterday was lifted at noon, but Kalkilya remained closed for the fourth successive day.

Curfews were also enforced yesterday on four Gaza refugee camps and four other West Bank camps and villages. A commercial strike called yesterday by the Islamic Resistance was only partially effective in the West Bank and East Jerusalem, where shops in most centres remained open.

Almost all shops were closed in Gaza, where the fundamentalists enjoy far wider support. A rival strike called on Thursday by supporters of the Palestine Liberation Organisation drew a greater response.

● Reuter reports: The Egyptian Navy seized an Israeli yacht with 30 people on board off the Sinai peninsula yesterday, and were holding them at Coral Island south of Eilat, Israeli military officials said.

"It is not clear whether the yacht strayed into Egyptian waters, but we are in diplomatic contact with the Egyptians about releasing the vessel and its passengers," an army officer said.

There were no reports of shooting in the incident but Israel Radio said an Egyptian gunboat tried to ram the yacht Maya before taking it in tow.

Angolan talks 'make progress'

SIGNIFICANT PROGRESS was made in the latest round of peace talks on Angola and Namibia, a South African negotiator said early yesterday, when South Africa, Angola and Cuba ended a session in the Congolese capital, Reuter reports from Brazzaville.

"We feel this meeting has again significantly advanced the process," Mr Neil van Heerden said before he left for Pretoria.

He said the parties would meet again soon to continue negotiations, which are aimed to complete a timetable for the withdrawal of Cuban troops from Angola.

The official said it was possible the next round of talks would also be held in Brazzaville, where the three sides and US mediators met for two days.

Mr van Heerden said the sides would report to their governments, which would study the latest proposals.

Asked whether he thought they could reach agreement in time to meet a target date of November 1, by which to start implementation of a UN independence plan for Namibia, he said: "As far as South Africa is concerned, the date of November 1 is still on the table."

The meeting ended on a positive note, despite a stormy start on Wednesday when South Africa protested strongly about a reported new build-up of Cuban troops in Angola.

High price of Japan's meritocracy

Stefan Wagstyl on child suicides provoked by the fear of failure

TWELVE child suicides in a week would provoke outrage in most countries.

There would be angry reaction in newspapers, on television and in parliament, especially if it emerged that the deaths were connected with worries about school. The government mould be forced to launch an inquiry.

But in Japan almost nothing happens. In the past week, at the start of the autumn term, 11 children aged between 11 and 14 killed themselves in separate incidents. While their families are deeply shocked, the country at large has scarcely seemed to notice.

This apparent indifference has two causes — the tolerant Japanese view of suicide and Japanese attitudes to the country's high-pressure education system.

Suicide, including child suicide, is more common in Japan than elsewhere. Last year 69 youngsters under 14 killed themselves. Three were under the age of nine. A deep-rooted belief survives that suicide is an honourable way out of life's difficulties. Children copy their elders in a horrible perversion of the code of the samurai.

Mr Masanao Mori, a divisional director at the Ministry of Education, says attitudes in Japan are not complicated by Christian beliefs about life after death. "The difference between life and death is simpler."

The connection between suicide and pressure at school is not disputed. For example, one of the children who died last week was 13-year-old Miyoko Seyama, who, according to her parents, may have killed herself because she had not finished the summer holiday homework she was meant to bring to school on opening day.

However, even those who are horrified by cases like Miyoko's feel they are powerless to reduce the pressure on children at school.

Japanese parents take it for granted that Japanese schools are among the most competitive in the world. For example, there are 240 school days in a year, compared with 180 in the UK. Nearly half of all teenagers attend night school two and a half times a week on average, to be drilled in Japanese, maths and English. Holidays are not associated with trips to the seaside or the mountains but with homework.

A deep-rooted belief survives that suicide is an honourable way out of life's difficulties. Children copy their elders in a horrible perversion of the code of the samurai

The childrens' aim is to get into as a good a university as possible. So the workload increases steadily until the final year of secondary education when studies unconnected with public examinations virtually disappear from the curriculum.

Graduating from a top university is usually the only way of securing a job in a prestigious company or government department. So getting into the right university is seen as a once-in-a-lifetime opportunity. There are few second chances.

Japanese education experts agree that all this can put intolerable strains on many youngsters. At the ministry, Mr Mori says: "Studies are very tough for young people." The case for fundamental reform is often eloquently put in newspaper articles. But little changes.

The government is in the throes of implementing what it hopes will be the third great reform of Japanese education. The first was the modernisation of schools after the Meiji Restoration in the 19th century and the second involved changes introduced during the US occupation, which were mainly concerned with making Japanese schools more democratic.

The latest reform is primarily a response to the charge that there is too much emphasis on rote-learning in Japanese schools and too little concern with creativity or individuality. However, the government recognises that if a pupil's own wishes are to figure more prominently in education, then the pressures on doing exam-related work ought to be cut.

Many potential supporters of change also have strong reasons for leaving things unchanged. Parents hate the pressures put on children but would be loth to see their own children fall behind others. Japanese are proud of the fact that Japan remains a meritocratic society with careers open to talent. Village boys from the remotest island can get into the Ministry of Foreign Affairs, for instance.

Education ministry officials might prefer to run a more humane system. But introducing more variety might weaken the rigid control the bureaucracy has over schools, which includes prescribing textbooks and precise timetables.

Mr Ryoichi Kuroha, education professor at Tsukuba University, says: "The big obstacle to reform is that everybody likes the status quo."

The limits of reform were illustrated this year by the debate over new university entrance examinations. One of the more exquisite tortures invented for Japanese children is that each of the country's 487 universities is entitled to set its own exams. However, from next year the 131 or so public universities will also take account of results of a new common entrance exam, which may reduce slightly the importance of the individual tests.

But all except 13 of the 356 private universities refuse to have anything to do with the new exam on the grounds that they would lose their individuality. In reality, the private universities are terrified that a common exam would drag them into a common ranking system, which would hurt the pride of those at the bottom of the table.

Since the ministry has no power to force the private universities to co-operate, the new exam will be virtually useless in reducing pressure at schools.

The affair suggests that only radical reform can transform Japanese schools. But Japanese society is ill-equipped to handle radical reform. It is too concerned about preserving consensus between different interests.

This is difficult enough within the confines of a company. In the field of education it is almost to impossible to reconcile the separate wishes of schools, universities and the ministry, not to mention parents, teachers and employers.

Mr Kuroha says: "There's is no way of changing the system as a whole. But piecemeal reform is useless."

UK NEWS

Lazards chosen by BR to study tunnel link funding

By Andrew Taylor and Ian Hamilton Fazey

LAZARD BROTHERS, the merchant bank, has been appointed by British Rail to assess the potential for raising private capital to pay for a high-speed rail link between London and the Channel tunnel, planned to open in 1993.

Mr John Welsby, a BR director, told a Channel tunnel conference in York that discussions had taken place with several potential private partners to ensure that railways gained maximum benefit from access to Continental freight markets.

Trafalgar House, the British construction, property, shipping and hotels group, which is building a privately financed road bridge across the River Thames at Dartford, Kent, is one of several leading construction companies to have expressed an interest in building a privately funded, high-speed tunnel rail link.

Richard Costain, a construction company in which Trafalgar House has taken an 8 per cent stake, has also proposed plans for a privately owned, high-speed rail network in south-east England that would connect with the Continent through the tunnel.

BR has estimated that a new rail line might take between eight to 10 years to complete. It would require a special parliamentary bill.

Mr Welsby said the board would be exploring whether preparation of a bill seeking powers to build a line could be completed more quickly to avoid delays if it decides to proceed.

Eurotunnel, the Anglo-French group building the tunnel, believes a high-speed link will be needed earlier than BR is forecasting because freight traffic is expected to be much higher than previously thought.

Mr John Gunnell, chairman of the North of England Regional Consortium, warned the conference that the north-south divide would be worsened by the Channel tunnel unless BR accelerated its plans to improve rail links outside the south-east

The consortium, a pressure group comprising the bulk of local authorities in the north, said the Government should follow France's example and recognise that fast and efficient rail links to the tunnel would boost the whole economy.

A survey had shown that only 23 per cent of northern companies expected their businesses to do better because of the tunnel, compared with 79 per cent in the south-east.

Spending to counter radiation 'determined by worry not risk'

By David Fishlock, Science Editor

MONEY and effort to minimise exposure to nuclear radiation were being focused not where the greatest risks lay but where there was greatest public worry, a Harwell scientist told the Uranium Institute's annual symposium in London yesterday.

Ideally, resources should be concentrated where the biggest overall reductions in people's total radiation exposure could be made, said Mr Peter Saunders, head of environmental impact assessment at the Atomic Energy Research Establishment at Harwell.

In fact, there was a very wide disparity in the effort and expenditure applied to different areas. "Expenditure tends to be concentrated in areas where there is widespread public concern rather than in areas where a large reduction can be made at relatively low cost."

Mr Saunders said that was particularly clear from comparisons between medical radiation exposures to patients and hospital staff, and nuclear industry exposures to employees and the public.

Fear of radiation, fed by a combination of misinformation and lack of a carefully balanced programme of accurate and understandable information, could lead to the slowing down of the nuclear power programme or its abandonment, Mr Saunders warned. "We would then indeed face a risky future."

Such a future would mean either great hardship and the disruption of social order by severe energy shortages, or serious and irreversible damage to the environment from continuing over-reliance on fossil fuels, he predicted.

● Plutonium, a by-product created from uranium fuel in a nuclear reactor, can be re-used successfully to enrich fuel for the same reactor, the West German electricity industry has concluded.

It is close to completing a demonstration programme, begun in 1980, to make new fuel for its pressurised water reactors from the by-product, reported Mr Peter Schmiedel, general manager of nuclear fuel marketing and products at Siemens-KWU.

A bigger plutonium fuel factory, with three times the output of the demonstration, was being built by Alkem, a Siemens subsidiary, for operation in the early 1990s. By 1996, plutonium fuel would be only about half the present price, Mr Schmiedel forecast.

German electricity utilities are pooling the plutonium separated by reprocessing their spent nuclear fuel in Britain and France, and sharing the cost of the present premium in fuel price for the small-scale manufacture of plutonium fuel assemblies during the demonstration programme.

The programme set out to improve manufacturing technology, upgrade manufacturing capability through Alkem, and recyle plutonium fuel under economic conditions on an industrial scale.

Under the agreement, more than 28,000 fuel rods based on a mixed-oxide fuel of plutonium and uranium had been made, and mostly loaded into reactors.

IRA plans 'horrific' end to 1988 warns RUC

By Our Belfast and Dublin Correspondents

THE ROYAL ULSTER Constabulary warned yesterday that the IRA was planning a "horrific" end to 1988.

The warning came as Mr Charles Haughey, the Irish Prime Minister, and several senior ministers met a Social and Democratic Labour Party delegation led by Mr John Hume, SDLP leader, in Dublin. It also came within two hours of the murder of a leading member of the Ulster Club Loyalist movement on a train in Belfast.

Colin Abernathy, Ulster Club treasurer and a member of the Democratic Unionist Party, was shot dead by gunmen posing as postmen, who boarded a train at Lambeg, about six miles from Belfast.

Earlier, 14 people, including five police officers, were injured when an IRA van bomb devastated the County Tyrone village of Coagh.

A statement from RUC headquarters in Belfast said all the information in possession of the police indicated that the IRA was escalating its campaign.

In Dublin, the high-level meeting reflected the Irish Government's concern that the upsurge in Northern Ireland violence has pushed political discussion to one side.

A government official said that it was anxious to move politics to "centre stage."

● The International Fund for Ireland is to allocate more resources to the economic and social regeneration of deprived areas of Northern Ireland and of the six border counties in the Irish Republic.

The move follows a review of the fund's spending priorities, after receipt of the final instalment of $120m (£70.5m) pledged by the US Government.

Mr Charles Brett, fund chairman, said: "The board has decided to pursue energetically its existing business enterprise and tourism programmes.

"To the former it has allocated an additional total of £5.5m and to the latter an additional total of £5m.

"The board has also included an extra £3.5m in its budget for the urban development programme in Northern Ireland."

Anglo-French group wins aero engine contest

By Lynton McLain

THE ANGLO-FRENCH aero-engine group Rolls-Royce Turbomeca has won a competition against General Electric of the US to supply its RTM322 engines for the military version of the Anglo-Italian Westland-Agusta EH101 helicopter for the Royal Navy and the Royal Air Force.

However, the Ministry of Defence said that orders would not be placed until the need for a more powerful engine for the helicopter had been established. Contract terms and conditions would also need to be negotiated.

Up to 500 engines might eventually be required for more than 160 of the three-engined helicopters. The order could be worth up to £200m each to Rolls-Royce and Turbomeca.

The Ministry said that it had also nominated Rolls-Royce Turbomeca as the "preferred supplier" should even more powerful engines be needed for the helicopter.

Lord Trefgarne, Minister for Defence Procurement, said General Electric of the US and Rolls-Royce Turbomeca had both fought hard for the work.

The choice of Rolls-Royce Turbomeca is a setback to General Electric plans to establish a base in the UK for manufacturing complete aero engines.

GE Aircraft Engines, part of the US-based General Electric group, had planned to build complete T700 aero engines for the EH101 helicopter at Ruston Gas Turbines in Lincoln, a subsidiary of GEC of the UK.

It would have been the first complete GE aero engine to have been built by Ruston in England. The company already makes components for several GE Engines, including parts for the GE38 family of small aero engines and for GE industrial power generation equipment.

GE said yesterday: "We will continue our working relationship with Ruston and we expect this will lead eventually to the manufacture of components, assembly, test and marketing of the General Electric T700 CT7 helicopter engine."

It said that it had made an "outstanding offer to the UK Government to supply the helicopter engines, but recognised it would be an uphill battle with the UK generally preferring to buy its defence products at home."

The Royal Navy has ordered 50 Westland-Agusta EH101 helicopters with a further 50 expected to be ordered. The RAF has ordered 25 of the helicopters and is likely to order a further 36.

The Canadian Government has also chosen the EH101 helicopter and is expected to decide on the engine later this year.

THE GOVERNMENTS of Jordan and the United Kingdom yesterday signed a contract for the supply of Tornado fighter-bombers to Jordan in a deal expected to be worth more than £400m, according to British Aerospace, writes Lynton McLain.

The contract is for an undisclosed number of Tornado IDS aircraft and training and support facilities for Jordan. It follows an agreement reached in March to supply eight aircraft to Jordan. British Aerospace is a partner in the Anglo-German-Italian Panavia Tornado programme, but it is likely that the Tornados for Jordan will be assembled by BAe, using parts from the other two partner countries.

Isuzu will supply engine for Lotus car

By Kevin Done in London and Stefan Wagstyl in Tokyo

GROUP LOTUS, the UK sports car and automotive engineering group, has reached agreement with Isuzu of Japan to buy engines and transmissions for its planned small sports car code-named the M100.

Isuzu is to market the sports car in Japan through its domestic sales network. It is due to be displayed in the autumn of next year.

Mr Michael Kimberley said the arrangement was a "special buy-sell agreement," under which Lotus hoped to protect itself against exchange-rate fluctuations. The company was aiming to balance the purchase of components against the sale of built-up cars.

With the launch of the M100 late next year, Lotus is re-entering a segment of the market it first tapped in the 1960s with the Elan model.

The car is being developed as part of a £54m five-year capital spending programme launched by Group Lotus after its takeover by General Motors of the US, the world's biggest car maker, in early 1986.

Lotus aims to expand output from 768 cars last year and 1,135 in 1988 to close to 5,000 units by 1993. Production of the M100 is planned to rise to around 3,000 units a year. The M100 will give the Lotus range a model below the present narrow offering of mid-range sports and touring cars.

Mr Kimberley said the company hoped to export a minimum of 300 to 400 cars a year to Japan.

It is understood that Isuzu, which is 41.57 per cent owned by GM, will supply a 1.6-litre engine to Lotus, which the British group has helped to develop, in turbocharged and normally aspirated forms. It will also supply the manual transmission and some other components for the planned front-wheel-drive car.

Group Lotus signed a 10-year accord with Isuzu in 1986 and has already carried out several engineering projects for the Japanese vehicle maker, including the development of the steering and suspension for the Isuzu Piazza coupé and the Isuzu Gemini hatchback.

An individual takes the initiative

James Buxton on a controversial plan to end Scots unemployment

"MORE POWERFUL than the march of armies is an idea whose time has come."

Mr Malcolm Rifkind, the Scottish Secretary, yesterday quoted Victor Hugo when he was asked to explain the astonishing speed with which the Government has embraced an idea likely to shake up the way it operates in Scotland.

The Government is considering merging the Scottish Development Agency, the quango that works for the regeneration of the Scottish economy, with many of the Scottish operations of the Training Commission into a body that will probably be called Scottish Enterprise.

The new institution would concentrate on industrial training and work through local agencies in which business people would play the leading role.

What is extraordinary is that the idea was formulated only in late June and presented in a curiously offbeat way.

Mr Bill Hughes – the self-made businessman who runs Grampian Holdings, a medium-sized industrial conglomerate – says he conceived it out of frustration at Scotland's pockets of continued high unemployment and at the difficulties of pulling together different official bodies to revive the economy of Falkirk, his depressed home town.

He wanted to wipe unemployment off the map of Scotland within a decade.

Mr Hughes, a highly energetic figure of strong religious convictions, is chairman of the CBI Scotland, as well as a member of the Scottish Conservative Business Group, which advises Mr Malcolm Rifkind, the Scottish Secretary.

However, at the cost of some embarrassment to the CBI, he made his proposal in a personal capacity through a newspaper interview.

But Rifkind was evidently aware of the idea in advance and within a few weeks Mr Hughes was discussing it in Downing Street with Mrs Margaret Thatcher. On Thursday night, Mrs Thatcher gave it warm endorsement in a speech to the CBI in Glasgow and the Government is to issue a consultative document by Christmas.

Bill Hughes: Conceived the project out of frustration

Partly because of the way Mr Hughes presented his proposals and partly because of its objectives, the Hughes initiative has obtained qualified support from the Scottish Trades Union Congress and from the Labour Party. Dr Gavin Strang, Labour's Scottish employment spokesman, has called on Mrs Thatcher to create "a Scottish political consensus" around it.

Indeed, the most serious doubts about the idea have been voiced by members of the business community, including some within the CBI itself – whose council formally adopted it only minutes before the Prime Minister arrived in Glasgow on Thursday.

"It gives Mrs Thatcher a lifeline," said one businessman with inside knowledge. "The Conservative Party still isn't doing any better in Scotland and here she is, offered a potentially popular initiative to deal with unemployment in a Scottish way. If it hadn't come from a Scot, it wouldn't be acceptable to Scotland: if it hadn't come from a businessman it might not be acceptable to her. You may say it's a bit corporatist, but that's how you have to do things in Scotland."

The initiative is aimed in part at Scottish dissatisfaction with the workings of the Training Commission. Mr Rifkind himself said yesterday that although it had been very useful in the time of mass unemployment, there was a question of how relevant its work was today, when the pressing need was to match a large number of vacancies with an even larger number of unemployed.

He acknowledged that there was also a bureaucratic difficulty in that the Training Commission is located in Sheffield.

Mr Hughes calls the Training Commission "a bureaucratic shambles" hidebound by its rigid criteria. Others concerned with job creation and training say that schemes conceived in Sheffield do not always have much relevance to Scottish conditions and that the Training Commission has surprisingly little contact with Scottish employers. But they note that such obstacles probably exist in other parts of Britain.

The SDA, by contrast, has a generally good reputation in Scotland: it has tentatively become involved in some aspects of training in employment black spots and would like to do more.

The core of the Hughes plan is – as Mrs Thatcher put it in Glasgow – linking enterprise and training, "not only at the top" through a single organisation "but, even more important, at the local level."

Although Mr Rifkind says the Scottish Office had been thinking of integrating the SDA with other bodies before Mr Hughes came along, he was rather vague yesterday as to how the scheme would work in practice.

Mr Rifkind envisaged local agencies with full-time professional staff reporting to a committee consisting of businessmen with possibly also trade unionists and local-authority representatives who would draw up schemes and send them to Scottish Enterprise for approval. It was not clear how many such local agencies there would be.

The scheme's critics oppose the idea of creating a "super-quango" that would have a combined budget of about £500m, two thirds of which would come from the Training Commission. Mr David Mowat, chief executive of Edinburgh Chamber of Commerce, who believes that the efficiency of the SDA is grossly overrated, says: "It goes totally against the grain of government policy and simply extends the dead hand of the state."

Another influential Scot says privately that the proposed single organisation "sounds like eastern Europe."

Mr Tony Mackay, an economic consultant, believes that the Scottish business community is too slender for its energies to be diverted to running local agencies. Business people would do better to concentrate on running their own companies, he says.

Many smaller companies have a shortsighted view of their medium-term personnel needs. The SDA, while welcoming the scheme in principle, fears that its own expertise might be diluted within a plethora of sub-agencies.

Mr Rifkind rejects the super-quango argument and says that the scheme would bring the private sector into areas that are now the exclusive preserve of government. As to doubts that business people would be willing to participate in the scheme, he believes they will do so, in part out of self-interest as demographic changes accentuate skilled labour shortages.

Many of the objections may be raised when the consultation process begins and the bureaucratic establishment both in Edinburgh and Whitehall may themselves try to shape the final product.

Mr Hughes attributes much of the criticism to people being offended by the way he promoted his scheme, bypassing much of the traditional establishment. However, as he acknowledges: "Individuals take initiatives, committees tidy them up."

SAS was to detain IRA suspects in Gibraltar

By Richard Evans

THE SAS squad that killed an IRA gang in Gibraltar in March was told that the preferred option was to detain the terrorists in the area where the Army parade was due to assemble, rather than shoot them.

The squad had been told that ruthless terrorists were ready to use arms to carry out a bombing outrage against British troops, the inquest heard yesterday.

Details of the plans made by the security forces to combat the threat of terrorist action was given by the first of seven SAS men to go into the witness box at the Gibraltar inquest. He was identified simply as Soldier F and gave evidence behind a special screen protecting his identity.

He said that according to intelligence reports, the Provisionals had set up a squad to bomb an army parade, and were classed as dedicated and ruthless people.

The security forces had learned that Mairead Farrell, Danny McCann and Sean Savage would cross the border from Spain, and if necessary use arms to complete their mission or aid their escape.

The plan was to leave a radio-controlled car bomb near where members of the Royal Anglian Regiment would gather for a changing of the guard ceremony.

"We knew from the [intelligence] briefing that they were dedicated and ruthless terrorists . . . we knew they had explosives ready to construct their bomb," said Soldier F.

The security forces were unable to mount surveillance on the Spanish side of the border, so there was no way of knowing in advance how or when the terrorists would cross into Gibraltar.

A full meeting of the security team, including police, soldiers and the surveillance team was held on the Saturday, the day before the shootings, and everybody involved "knew what their responsibilities were." All members of the SAS squad attended the meeting.

The SAS team was in Gibraltar to assist local police in arresting the bomb team, said Soldier F. "It was made clear to us in the rules of engagement that we were subject to the instructions of the Police Commissioner," he added.

"Therefore, in constructing the plan, we were mindful of the priorities he laid down, and that the execution of the plan was to bear in mind the sequence he had laid down – to arrest the offenders, disarm them and to defuse the bomb."

An earlier witness, Mr Joseph Canepa, the Gibraltar Police Commissioner, denied that he had "deliberately put at risk" local people by failing to arrest Sean Savage because he wanted to capture all three.

Mr Patrick McGrory, representing the families of the three terrorists, pressed the police chief to explain how his men had "almost" made an arrest, but then failed.

Mr Canepa said he believed the terrorists were going to be arrested by the SAS and had been "saddened" when the radio message was received that they had been shot. When asked if he thought the SAS men had gone too far, the police chief replied: "No, sir. It did not cross my mind."

New move on TV advertising curbs

By Raymond Snoddy

THE UK Government has put forward a new proposal on television advertising to the 21 Council of Europe countries to try to spare Britain's ITV companies from serious damage by a proposed convention on transfrontier broadcasting.

If the present draft of the convention was implemented it would severely limit the number of times programmes could be interrupted by advertisement breaks.

The convention is designed to provide a legal framework and minimum standards for broadcasters in the age of satellite television.

Under the present wording, feature films shown on television could be interrupted only once.

Other programmes would have an advertising break once every 45 minutes.

The UK would like to see those rules modified or two separate options on advertising offered in the convention.

Countries could then choose whether they wanted the German system of blocks of advertising between programmes or the British system with more advertising within programmes.

The British option would envisage a maximum of 15 per cent spot advertising an hour but would leave the decision on how that advertising would be shown to regulatory bodies.

Mr Timothy Renton, Home Office minister responsible for broadcasting, said yesterday that ITV was a mature system earning £1.5bn a year in advertising revenue.

"We don't see why the present system we have in the UK should be disturbed."

Mr Renton was speaking after talks in the Netherlands and Luxembourg on the issue.

He said the new British proposal on advertising had been well received there.

If a dual set of advertising rules is accepted in Europe, it might present difficulties to operators of satellite channels with programmes being picked up all over the Continent.

Mr Renton said it would be up to satellite programme providers to reach agreement with the countries to which they were broadcasting.

The Council of Europe hopes to have a draft convention on broadcasting ready for signing by ministers at a conference in Stockholm in November.

Unleaded petrol to be phased in

By John Griffiths

REGULATIONS requiring new cars launched after October next year to be capable of running on unleaded petrol were placed before Parliament yesterday.

The regulations require new models to be capable of running on unleaded from October 1 next year. From October 1990 the regulations will affect all cars coming off production lines, including existing models.

Cars to be equipped with catalytic converters will have to have narrow fuel filler pipes so that only the narrow nozzles of unleaded fuel pumps will fit.

Special arrangements are to be made for a very small proportion of vehicles, mainly very high-performance ones, requiring substantial engineering changes to comply.

Employers 'should find homes'

By Peter Riddell, Political Editor

EMPLOYERS SHOULD do more to provide housing for workers in areas of shortage, Lord Caithness, the new Housing Minister, urged yesterday.

In a speech to a Confederation of British Industry conference in London, he said recent and current legislation had created the mechanisms to enable industry to help its staff to find homes.

A series of complaints has arisen, most recently from the Post Office, about the difficulties of recruiting staff in London and the south-east because of the shortage of cheaper accommodation, especially in the rented sector.

Among the options for industry listed by Lord Caithness were the owning and managing of private rented housing; contributing to a private landlord's costs in return for nomination rights; using local authority powers of subsidy for private landlords; subsidising housing associations in return for nomination rights; buying or building rented property to be managed by a building association; and setting up shared ownership schemes with a building society.

He told the conference: "Employers should not rely on Government-provided housing as a means by which their management dilemmas might be resolved. The first question that an employer must ask is what he himself can do to solve his employees' – and therefore his – problem."

The CBI itself could, he suggested, set up an advisory service to help its members put together schemes of this kind.

Lord Caithness argued that the Government was contributing by creating a much more flexible housing market through the Housing Bill.

He said: "This not only aimed to revive the private rented sector through deregulation but would also enable the housing association movement to expand and loosen the local-authority monopoly in the rented sector.

"A more efficient market will be more responsive to your needs; it will adapt more quickly to changes in the economy and in employment; and it will create the capacity which will facilitate labour mobility."

Lord Caithness said that greater responsiveness went with the greater freedom that industry now enjoyed. He said: "If a firm has to be located in a high-pressure area, then it will have to be prepared to pay the going rate to their employees; and that going rate is bound to reflect the cost of housing.

"Alternatively, if the employer does not want to pay the rate needed in a high-pressure area, he may have to consider relocation to an area where housing supply is more plentiful and costs are lower."

Demand for printing paper high

By Maggie Urry

UK PAPER makers are enjoying strong demand for printing and writing paper, with all UK mills reporting full order books and one-month delivery times, reports the British Paper and Board Industry Federation.

Even in August, normally a quiet month, there has been "an extraordinarily high level of order intake," the federation says. Printing and writing papers account for about 30 per cent of UK paper and board consumption.

The UK paper industry has been experiencing growth in most sectors in recent years and production, which fell in the early 1980s, has revived.

In the first six months of this year, production of coated paper – mainly used in glossy brochures and advertising material – rose by 24 per cent, a figure which the federation describes as amazing.

Uncoated paper – with such uses as writing paper and general printing – saw a much more modest 2 per cent rise in production in the first six months.

In previous years, the growth in demand has sucked in imports, as UK mills have been unable to meet customers' requirements. However, paper makers have spent heavily to increase capacity.

Mr Jeffery Bartlett, director general of the federation, said that as a result of such investments, UK mills are pushing down the level of imports.

Imports of uncoated paper fell from 43.7 per cent of the market in 1986 to 39.2 per cent in 1987. Imports account for around 72 per cent of the two-side coated paper sector, but here investments by such groups as UK Paper should increase the proportion made in the UK.

The picture is not entirely favourable, however. There have been quarterly rises in wood pulp prices – which Mr Bartlett says can represent 60 per cent of manufacturing costs – for more than two years.

A recent, although lesser, concern is the US drought, which has caused a rise in world maize and hence starch prices. Starch is used to stiffen the paper.

Candidate chief declines leading job at Boosey

By Fiona Thompson and Alice Rawsthorn

BOOSEY AND HAWKES, bastion of the brass band instruments industry in Britain, has lost its chief executive-designate.

Mr Hayden Connor, who had been due to succeed Mr Ronald Asserson as chief executive in November, has decided not to take up that post or any other executive position at Boosey for "personal reasons." Instead, he will remain a non-executive director.

Boosey has passed through troubled times in recent years. In the early 1980s its famous brass instrument division fell into losses. The company suffered from overmanning, poor financial control and the long-term decline of brass band music.

The first rescue attempt collapsed. Mr Asserson became chairman in 1985 when Mr Michael Boxford, chairman for the previous four years, was ousted in a boardroom coup.

Boosey has since recorded something of a recovery, returning to profit in 1987 after three years of losses and has declared its first dividend for four years.

Mr Asserson will serve as chief executive until the end of this year, after which he will become non-executive chairman. Mr Richard Holland, presently group finance director, will take Mr Connor's intended place as chief executive.

Construction continues to grow rapidly

By Ralph Atkins, Economics Staff

BRITISH construction activity continued to grow at a rapid pace in the three months to June, according to official figures yesterday.

The Department of the Environment said construction output was 12 per cent higher in real terms than the corresponding period a year before.

In the private house building sector, output in real terms rose to the highest level since 1973.

It was 25 per cent higher than in the three months to June last year.

Overall construction activity was slightly lower than in the first three months of the year, after seasonal adjustment. Construction companies were helped then by exceptionally mild winter weather.

However the latest figures suggest that the underlying growth rate remains strong. The annual increase compared with a 10 per cent increase between the first three months of 1987 and the corresponding period this year.

Mr David Trippier, under-secretary at the department, said: "This continuing high level of output confirms general expectations in the industry of strong growth in 1988, following the good results recorded in 1987."

Output in the public housing sector in the three months to June was 3 per cent lower than in the previous three months and 6 per cent lower than the corresponding period a year before.

Videos for job seekers

By Richard Donkin

A RECRUITMENT agency in London is making videos of job candidates to save employers wasting time on preliminary interviews.

Mr James Caan, chairman of Alexander Mann Associates, an agency specialising in sales staff, said the videos, each with 20 job candidates, would be available for his client companies.

A demonstration yesterday by the agency featured AMA staff in short slots enabling them to give their age, background, experience and motivation.

Nationwide Anglia creates 100 jobs

THE NATIONWIDE Anglia Building Society is creating 100 clerical and secretarial jobs at its Northampton headquarters.

A spokesman said the vacancies have occurred through reorganisation and expansion since the Nationwide and Anglia societies merged a year ago.

Nabisco chief to be replaced

By Christopher Parkes, Consumer Industries Editor

MR ALISTAIR Mitchell-Innes is to be replaced as chief executive of Nabisco Group by Mr Alan Reeve, currently managing director of the company's grocery division.

Nabisco, the UK arm of the RJR Nabisco tobacco and foods conglomerate of the US, said in a statement that Mr Mitchell-Innes would leave the company at the end of this month.

Mr Mitchell-Innes joined the company in 1985 from Brooke Bond to become its third chief executive in two years. He had been responsible for reorganising Nabisco's operations and overseeing a £100m investment programme, the company said.

Nabisco, best known in Britain for its Jacobs biscuits and Ritz crackers, has had little success recently in breaking United Biscuits' strong hold on the biscuit business.

Neither Mr Mitchell-Innes nor company officials were available for comment.

BRITISH ASSOCIATION CONFERENCE

Power stations clean up smoke

By David Fishlock, Science Editor

THE ELECTRICITY industry plans to spend £1.5bn on equipment to remove sulphur from the exhaust gases from its fossil-fuel power stations, and £200m to equip each new coal-fired station with flue gas desulphurisation, the British Association meeting in Oxford was told yesterday.

Dr Peter Chester, chairman for environmental matters with the Central Electricity Generating Board, said: "Environmental protection does not come cheaply."

The CEGB was also spending £170m to enable its fossil plant to remove oxides of nitrogen, in addition to environmental research and development expenditure of £20m a year, he said.

By the end of the century, it would have flue gas desulphurisation in operation or under construction for a total of 20,000 MW of its capacity, he forecast.

"It behoves us all to insist that such investments actually produce the hoped-for environmental benefits." He said the CEGB's approach "goes a long way to ensuring that they will."

Perhaps the most challenging environmental problem for the world was the prospect that man's activities might bring about large-scale climatic changes through the "greenhouse effect" – increased temperatures, changed rainfall patterns, greater climatic extremes, and rising sea levels.

● Acid rain was a complex issue with considerable gaps in scientific understanding, said Sir John Mason, director of a UK research programme funded jointly by British Coal and the CEGB.

It dealt only with the acidification of streams and lakes, and the effects on aquatic life, he said. Attempts to establish clear-cut relationships between water acidity and fish had been hampered by conflicting evidence.

But there was increasing evidence that large numbers of fish deaths came about through short bursts of high acidity in the water, lasting only a few hours, and occurring after a melting of snow or rain.

"It appears that these occasional or seasonal pulses of acidity, often accompanied by high concentrations of aluminium, are more lethal than sustained exposure, to which the fish may adjust more easily," he said.

The toxic effects of aluminium were complex, very sensitive to acidity, and strongly moderated by the presence of calcium or organic acids in the water. The apparent opposing effects of aluminium and calcium were not understood, Sir John said.

BDO forms umbrella group to unite operations

By Richard Waters

BDO, THE international accountancy group, has changed its management structure in an attempt to strengthen its international operations.

This is part of a trend among accountancy groups to tie their individual national firms more closely together.

BDO's move follows the defection of one of its founding member firms, based in the Netherlands, to rivals Price Waterhouse. However, Mr John Norton, who has been appointed full-time head of a new international policy board, denied that that had prompted the changes.

BDO has established a Netherlands-based company to act as an international umbrella organisation, in which each national firm has a stake. The board of the company will act as a policy board for the international firm and will report on progress to national firms at an annual "shareholders' meeting."

BDO has also appointed its first full-time chief operating officer and is establishing a central office in Brussels. The cost of this is likely to be nearly $1m (£589,449) a year, said Mr Norton.

National firms such as BDO Binder Hamlyn in the UK and BDO Seidman in the US have partly adopted the group's international identity.

In spite of the changes, each national firm will continue to have the largest say in its own operations. There will be no arrangement to share profits between countries, since that causes disputes between firms and does not reward individual business units, he said.

BDO, the largest international firm outside the profession's Big Eight, had fee income of more than $750m last year.

TV car adverts 'are poor value'

MORE than half the car manufacturers in the UK believe television advertising no longer offers value for money, says a survey by Yershon Media Management.

Most would share a commercial break with another maker promoting a non-competitive model to keep costs down.

UK NEWS — EMPLOYMENT

CBI warns of concern among small businesses

By Richard Evans

THE STRIKE has so far been deeply inconvenient and frustrating but not yet a disaster, according to a range of business and industry representatives.

The situation could worsen rapidly, however, particularly for small businesses and sectors like mail order and direct marketing, if the dispute is not settled within days.

The key factor in the attempts by businesses to sidestep the effects of the dispute this time compared with the last big national postal strike in 1971 is the range of alternatives now available. Intensive use is being made of facsimile machines, telex, credit transfer facilities and couriers, as well as the telephone.

These have enabled most businesses to cope surprisingly well with the crisis, although often at very high cost. However, in some areas such as direct marketing alternative methods of distribution are simply not available.

The Confederation of British Industry said that members were reporting increasing concern about the impact of the strike and were attempting to get round the difficulties by using other methods of communication.

Mr Richard Price, CBI director for employment affairs, said: "That does not alter the fact that this is a damaging and costly dispute and one that the economy could well do without."

The Institute of Directors reported growing anxieties among smaller companies over cash-flow difficulties. Orders and contracts trapped in the postal system are also giving cause for concern.

Members of the Association of British Chambers of Commerce have also been reporting cash-flow difficulties, according to Mr Ron Taylor, director general, "but no-one has gone to the wall yet."

One difficulty becoming apparent to the association is that facing exporters to third world countries who require original documentation rather than copies.

An association official said: "The basic verdict is that the dispute is very frustrating and inconvenient but it is not the end of the world."

This is not the view of the British Direct Marketing Association, whose members have been affected particularly badly. The sector is building up to the busiest time of the year as catalogues and promotional material is prepared and posted before Christmas.

Ms Tessa Kelly, British Direct Marketing Association assistant director, said: "The strike is having an awful effect as it is very difficult to find an alternative method at short notice. Goods are piling up in warehouses waiting to go out and very few orders are coming in."

Mr Brian King, managing director of Bellman Direct, a direct marketing organisation based in Liverpool, said his company had 3.5m mailings waiting to be handed in at post offices, and he was running out of storage space.

The company employs 650 people and has so far laid off only 15. If the dispute continues for another week, a further 30 will go.

Mr King said contracts which involved use of the mail system had been cancelled and there was no guarantee they would come back.

FT reporters examine the delays and other costs which the postal strike has brought to many parts of the community

Thousands of small businesses affected

By Richard Donkin

THOUSANDS OF small businesses have been hit by the dispute, Mrs Margaret Powell, manager of the London office of the National Federation of Self Employed and Small Businesses, said yesterday. Many members sought fax-machine suppliers' names.

The 50,000 UK-member federation sought government reassurance businesses would not be penalised for late returns of VAT, national insurance and income tax, but:

● Customs and Excise and the Inland Revenue said that, for now, penalties would apply because other payment methods were available locally.

● The Revenue said it would be sympathetic.

Many small businesses dependent on postal services say they face ruin if the row continues more than a month.

Mr John Lock mortgaged his Bedfordshire house to set up a publishing business serving the contract-cleaning industry 15 months ago. He said he could last four weeks.

Circulation relied on the post, he had no present income and advertisements would be unpaid if he lost this month's issue. "It could be the finish of me if this strike doesn't end soon. I blame the Post Office management for this situation. They shouldn't have allowed it to come to this."

Mr Joe Levane, managing director, Club Euro Travel, a year-old, Margate-based tour-operator, said he could not get bookings in or brochures out. He asked clients to pay by giro, arranged ticket-issue at airports and sent an employee to Dunkirk to post payments to hoteliers abroad.

At Bloomfield Books, a mail-order publisher run by Mr Donald Martin in Sudbury, Suffolk, weekly orders fell from hundreds to four, and by telephone, and he could not distribute. Volume did not warrant a fax; distribution would stay a problem. "My orders are down from weekly levels in the hundreds to four this week — all over the telephone — and I cannot send them out."

Private mail service helps tour operators

By Joel Kibazo

A PRIVATE emergency mail service has been set up to get urgent travel documents between tour operators and travel agents.

The service, established yesterday by the British Travel Agents Association (ABTA) in association with a private distribution company, is to be called 'Mailout' and is expected to cover travel agents throughout the country.

Mr Jack Smith, ABTA president said: "We are confident that this system will enable ABTA members to continue to provide their normal service to the public despite the current postal difficulties."

The Law Society yesterday arranged for extra phone lines and longer opening hours for the Land Charges Registry, the body that handles unregistered properties, to help solicitors avoid a breakdown in the conveyancing system.

Extra emergency contact numbers have also been set up at District Land Registries around the country to give solicitors greater access.

The postal strike has threatened chaos in the property market as solicitors have been unable to get results of searches from the Land registry or from local district Land Registries.

Without these results, mortgage companies have been refusing to release house purchasing funds thus no completion of deals could take place.

Mr Robin Pearse Wheatley, barrister, said many in his profession have been badly affected because by tradition they are paid in arrears: "Because we exist on overdrafts we have had to face the rise in interest rates and now we are having to cope with no cash coming in."

Elsewhere in the service sector, the growing use of facsimile machines has greatly lessened the impact of the strike.

Credit deadline nears

By Alice Rawsthorn

FOR clearing banks and credit card companies the backlog is immense. The real problem will come when account holders approach the deadline for their next monthly payments.

American Express is hiring private couriers to deliver its monthly statements. It has also established an emergency Giro facility whereby account holders can pay their bills at High Street banks.

The banks have the inestimable advantage of their established internal mailing systems. These systems enable them to make deliveries from branch to branch. Since the start of the week any new cheque books and cheque cards have been sent to branches for account holders to collect.

The banks have also activated the Inter-Bank Envelope Exchange Scheme which enables them to exchange documents such as "bounced" cheques. The scheme was introduced for the first time eight days ago. The banks have met daily at St Swithins in the City of London to exchange envelopes ever since.

Anxiety for students

By David Thomas, Education Correspondent

THE STRIKE is causing students more anxiety than they would normally suffer at this time of year. Confirmation of some offers is being held up.

Mr Ken Kitchen, registrar of Manchester University, said the strike was beginning to cause some problems in letting this year's entrants know accommodation arrangements.

Ms Joy Sadler of the careers informtion unit at the Inner London Education Authority warned that some grant payments might be delayed if students could not produce written evidence of acceptance.

Merchant bankers face skills challenge

By David Waller

MERCHANT bankers are skilled in circumventing complicated rules. The postal strike has provided the latest test to their ingenuity: how to get round the legal requirement to post offer documents, defence documents and other circulars during the course of a takeover or a merger.

Of course, merchant banks are not the only City institutions to suffer from the strike, but their problems are particularly severe. A takeover battle cannot legally proceed unless an offer document is posted to all shareholders within a specified period of time; similarly, at the time of a rights issue, the Stock Exchange will not allow the new shares to be traded until the company has proved that provisional letters of allotment have been sent.

If it were simply a question of communicating with the large institutional shareholders, based in the City of London or in Edinburgh, it would be a different matter. But shareholder democracy must prevail, and the multitude of small shareholders must receive documents at the same times as the big ones.

Hence the merchant bankers for Pleasurama, fighting a £700m bid from Mecca Leisure, employed a courier firm to despatch its defence document to all of its 14,000 shareholders. This cost £8 a document.

Mr Anthony Beevor, director-general of the Takeover Panel, the City watchdog, said yesterday that the panel was prepared to be flexible.

For example, a bidding company could put an advert in a newspaper saying where to collect an offer document.

Problems for the big stockbrokers are less severe. Most of their business is done with the institutions, so that documents can be delivered by hand.

APPOINTMENTS

Managing director for B. Elliott

■ Mr Nigel Gibson is to be appointed to the board of B. ELLIOTT as group managing director and chief operating officer from October 1. Mr Gibson has worked for Metal Box for some 23 years and was recently the main board director responsible for its beverage and European packaging operations.

■ Following the completion of the acquisition of Coxmore by OAKWOOD GROUP, Mr Michael Renton and Mr Kailash Dal, respectively chairman and finance director of Coxmoore, become joint chairman and finance director of Oakwood Group. Mr Ian Forsyth, a director of International Business Communications, becomes a non-executive director.

■ Mr Ian Fenwick has been appointed a director of IDEAL WILLIAMS, the Reading-based window manufacturing company recently bought by the Lilleshall Group.

■ Mr Graham Howard has joined the board of diesel engine manufacturer MIRRLEES BLACKSTONE (STAMFORD) as engineering director. He was engineering director at Paxman Diesels.

■ Dr Paul King, planning and marketing director at BRITISH SHOE, has been promoted to the main board. He joined British Shoe last autumn from TI Raleigh where he was sales and marketing director.

■ CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST CO OF CHICAGO has appointed Mr Andrew Cruickshank and Mr Robert Alfred as vice presidents at the London branch. Mr Cruickshank, formerly with Orion Royal Bank, will head the UK and European trading and sales of derivative interest rate products. Mr Alfred, formerly with Goldman Sachs in London, will head the US Government sales desk covering the UK, Europe and the Middle East.

■ BET SECURITY SERVICES has appointed Mr Cranley Onslow to its board. He has been member of Parliament for Woking since 1964.

■ ALIDA HOLDINGS has made the following changes: Mr John A. Bunnell has been appointed group managing director. Mr Rex Stone will continue as group chairman. Mr Cliff Lewer has become corporate development director. Mr Ray Brooksbank remains group financial director but with a stronger emphasis on the financial aspects of his job.

■ Mr C. Hampson has been appointed a non-executive director of COSTAIN GROUP. He is an executive director at ICI. Mr P.C. McNahon has become an executive director. He joined the group's Australian subsidiary, Costain Australia, in 1971. Progressing via financial management, he became a director of Costain Australia in 1978 and managing director in 1983.

■ Mr Colin Johnson has been promoted to group development director at ADG COMMUNICATIONS.

■ Mr Glen J. Howell has been appointed a director of MARSHALL WOELLWARTH (FOREIGN EXCHANGE).

■ Mr Simon Tebbett has been appointed finance director of AIRSHIP INDUSTRIES. Mr Ian Matheson has been made sales and marketing director and Mr Peter Sibley engineering and operations director of Airship Industries (UK). Mr George Spyrou has become a director of Airship Industries (USA).

■ GODSELL, ASTLEY & PEARCE (FOREIGN EXCHANGE) has appointed Mr Frank O'Neill and Mr Paul Wilson directors.

■ Mr Eiji Akiyama, managing director and general manager of DAI-ICHI KANGYO BANK, London, is leaving to take up an assignment in Tokyo as managing director and joint head of international banking headquarters. His successor is Mr Hirohisa Matsudaira, who has been appointed director and general manager of the London branch.

■ Mr Peter Wilkes has been appointed direct sales force director of CROWN FINANCIAL MANAGEMENT. He joins from London and Manchester Assurance, where he was south and west regional manager.

■ Mr Peter Sewell has been appointed managing director of KEYWEST LIFE & PENSIONS, a subsidiary of MAL

THE TUC AT BOURNEMOUTH

Todd rejects Labour policy review plans

MR RON TODD, general secretary of the TGWU general workers' union, told the Labour Party yesterday that key proposals in its policy review of trade union legislation would be unacceptable to his union.

Moving a motion on industrial relations law, Mr Todd told delegates: "We should not tolerate attempts to put fundamental rights into the political market-place: they cannot be traded or bartered."

He said the TGWU insisted that Labour policy should be based on the repeal of Conservative industrial relations legislation covering pre-strike ballots and secondary industrial action. Union immunities from legal action over the conduct of industrial disputes should be extended, Mr Todd urged.

His speech will add to the growing strain in the TGWU's relationship with the Labour leadership, following the decision earlier this year by the union's executive to withhold support for Mr Neil Kinnock in the party's leadership contest.

On Tuesday, Mr Todd sharply rejected Mr Kinnock's plea to Congress to support participation in the Employment Training programme.

Mr Todd said the Government's trade union legislation had led the labour movement into a search, sometimes desperate, for new approaches to employment law and union rights.

The focus of his attack, which he is expected to drive home at the Labour Party conference next month, was the policy review's proposal that joint management-worker works councils should be introduced to supervise company policy. Workers' representatives would not have to be union members.

Mr Todd said that system would threaten to undermine trade union organisation. Employers in poorly-unionised industries would use such a machinery to set up non-union councils, he warned.

In a thinly-veiled attack on Labour policy makers, Mr Todd said: "There is also a sense that Tory legislation has set an irreversible pattern which a future Labour government must accommodate."

Renationalisation move fails

LABOUR should renationalise privatised companies only if it would improve standards of service to customers, Congress decided in a debate that placed strong emphasis on the rights of consumers.

A motion calling for the extending of public ownership and "democratic economic planning" was defeated.

Instead delegates adopted a motion which called for the best service to consumers rather than "any particular institutional form for its own sake."

The successful motion called for the setting of performance targets for quality of service as well as output, and the creation of a strong system to protect consumer rights.

Mr John Edmonds, general secretary of the GMB general union, said "the old fundamentalism" of renationalising all industries had no future. "Creating another bunch of bureaucratic monsters will not convince the electorate," he said.

Mr Edmonds said he had spent close on a generation defending "a rigid and inflexible system of public ownership that has never delivered the benefits we all claimed." Labour had to go back to first principles.

Mr Colin Christopher, general secretary of the FTAT furniture workers' union, in proposing the motion that was defeated, called for the nationalisation of large oil and vehicle companies and others in each key sector.

'Threat' to Civil Service pay bargaining

A BREAK-UP of national pay bargaining in the Civil Service could follow the hiving off of some government departments as semi-autonomous agencies with powers to vary pay and conditions, Congress heard.

Mr Leslie Christie, general secretary of the National Union of Civil and Public Servants, said proposals made by Sir Robin Ibbs, of the Prime Minister's Efficiency Unit, were an attack on both the Civil Service and the public.

Proposing a motion criticising the Ibbs proposals and calling for a campaign against them, he said the concept of nationally-agreed pay rates would be at risk as pressure grew for lower rates of pay to apply in some regions. Agency managers would have *carte blanche* to undermine national pay agreements.

Mr Clive Brooke, general secretary designate of the Inland Revenue Staff Federation, said his union was not opposed to all agencies. He did not want a policy of blanket opposition that would prevent negotiations.

Managers at the agencies likely to be hived off first have disclosed their intention to restructure pay and conditions for employees, and try to relate pay to performance.

The TUC motion said the proposals would allow ministers to divert criticism and weaken the scrutiny of civil service functions.

Reports by Philip Bassett, Charles Leadbeater, Jimmy Burns, and John Gapper. Picture by Ashley Ashwood.

Ex-RAF chairman calls for discipline

THE General Council yesterday unanimously elected Mr Tony Christopher, general secretary of the IRSF tax staffs' union, as TUC chairman for the coming year.

The decision of the first meeting of the new General Council was expected.

"We are now in uncharted waters," Mr Christopher, 63, said yesterday. "We have a major union floating about out there, and it's going to need a considerable amount of discipline on both sides not to make things worse."

Ex-RAF, chairman of the National Association for the Care and Resettlement of Offenders, the tall, moustachioed Mr Christopher cuts a *figure of dignity and authority*.

Indeed, a number of TUC General Council members have been suggesting that in his year as president Mr Christopher could use his considerable media skills to help support Mr Norman Willis, TUC general secretary.

While he believes that if the whole of his presidential year is spent on the question of the EETPU electricians' union it will be wasted, he believes that some hard thinking about the issue is vital.

A natural moderate, he believes it will take time for the electricians to come back to the TUC, but feels that come back they will.

He feels there may be substance in the electricians' criticisms of the TUC's procedures. TUC decision-making can be too slow, Mr Christopher feels; but he thinks that the most important area for reconsideration may be the TUC's Bridlington inter-union principles.

Pointing out yesterday the huge changes in the UK labour market, Mr Christopher said that many people now changed their jobs every 2-3 years, changed their companies and changed their skills. "I'm not sure whether this all fits in with our rules," he said.

Philip Bassett

EETPU and ET shade 'patchy' Congress

Philip Bassett on the unions' need to come to terms with a changed struggle

Mr Norman Willis, TUC general secretary, said at the start of the Trades Union Congress this week that it was likely to be patchy. As Congress closed yesterday he confirmed that patchy was what it was.

Even with his gift for understatement, patchy is putting it mildly. At the week's start, opinion polls put unions' public standing at only slightly less than their 30-year high.

Mr Willis told Congress: "To throw that away by any sort of inner bickering truly is to flee the field. That we will not do."

He and the TUC must, starting next week, try to hold the line against:

● The outbreak of an inter-union recruitment war after expulsion this week from the TUC of the EETPU, the electricians' union, which outbreak is likely.

● The Government throwing the unions off the Training Commission, or even abolishing the commission, following the TUC withdrawing conditionally from the government Employment Training scheme for the long-term unemployed. This would probably be a futile attempt by the TUC.

These two issues overshadowed Congress. The unions, in an oddly quiet conference for one where momentous decisions were taken, acted to meet a labour market which shows signs of outpacing them. They:

● Agreed a pragmatic code of practice to deal with single-union and strike-free deals.

● Decided to aim recruitment and organisation at growing geographical and industrial areas of non-union employment.

● Switched attitude to approval of the European Community, realising the single market of 1992 may offer their best, possibly only, medium-term hope of legislative change favouring unions and labour.

However, yesterday Mr Bill Jordan, president of the AEU, the engineering union, was unequivocal: "Ask anyone about this TUC and they will say: 'Oh. That's when they turned their backs on the unemployed, wasn't it? That's when they snubbed Neil Kinnock, wasn't it? That's when they threw out the electricians, wasn't it?'."

Mr Arthur Scargill, National Union of Mineworkers president, said: "I think that the TUC Congress of 1988 will be judged as one that fitted in neatly with the politics of fear. It was filled with the new realism that's sweeping the movement at the present time."

Few on the left would agree. For them Congress was an achievement on *precisely* the same issues which, publicly, are likely to do the unions most damage, that is expelling the EETPU and quitting ET.

Left-wingers lost in their attempt to restructure the TUC general council more in their favour. However, this, compared to the EETPU and ET victories, was small beer.

The decisions on the electricians and, to a much lesser degree ET, were expected. Also expected was that Mr Willis would have a bad week. He did not have.

He spoke unconvincingly on ET but his speech on the electricians impressed many in the hall and beyond it, as did that of Mr Eric Hammond, EETPU general secretary, when he put his case to a complete, deadening silence.

Tony Christopher catches up on some essential reading

There were widespread pre-Congress expectations that the week would be a bad one, that Mr Willis would botch his part of it, and, fairly or not, that he would be required to carry the can.

Now, attention will have to be given to unity, to pulling together, to coming to terms with the consequences of the decisions on the EETPU and on ET, as Mr Tony Christopher, elected TUC chairman yesterday, suggested.

They may even have their positive side, spelling out lessons for the future, though as Mr John Edmonds, general secretary of the GMB, the general union, put it yesterday, *they will be distractive too.*

This is especially so of the electricians: "It will mean that we will spend a lot more time and energy on internal matters in the future than we will on the main task for the trade union movement, which is looking outward and recruiting new members."

Correction

Labour force

FIGURES in yesterday's chart were transposed, suggesting that more men than women would enter the labour force. The reverse should apply.

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A sense of déjà vu

THE HEADLINES in the British press over the past week seemed to belong in a different decade. A silly and avoidable dispute at the Post Office, high drama over the balance of payments, that sinking feeling in equities – here was the stock in trade of 1970s political drama. Perhaps the only useful thing that the Trades Union Congress did at its annual conference was to remind us all that things really were different. Nothing new, of course, in the TUC's determination to shoot itself in the foot – or maybe one should say all four feet; but the knowledge that the Government has no inclination or reason to care is arguably the most distinctive legacy of Thatcherism.

Looked at from a narrower economic perspective the sense of déjà vu is even more striking. Every sign of buoyancy in the British or US economies causes the markets to wobble. Share prices fall on spectacularly good company results. Market volume is low and financial houses are in the doldrums or worse. Even the once mighty Morgan Grenfell has just reported interim profits more than halved. The conviction is growing that we are at the dog end of an old-fashioned cycle and that all the classic symptoms of a bear market are becoming thoroughly entrenched.

Well, up to a point. And certainly the share dealing scandals that now afflict the Japanese Prime Minister, Mr Noboru Takeshita, at one extreme and investment bankers, Drexel Burnham, at another look suspiciously like the hangover after the bull market party. But it is a curious kind of cycle that spawns stock market crashes on the scale of last October's and then witnesses economic growth of the kind we are now seeing.

Revised upwards

This week the International Monetary Fund was reported to have revised upwards its estimates of growth this year in the industrialised countries by a full percentage point to 3.5 per cent. Its forecasts for the US and Japan are respectively 3.9 per cent and 5.8 per cent. Even the West Germans, notoriously averse to faster growth, have just revised their own official forecast up to 3 per cent. Very convenient, coming just before the autumn round of official get-togethers that culminates in the IMF meeting later this month: the answer to any US demand for more growth in Europe is now to hand.

By now the joint relaxation of monetary policies in the aftermath of Black Monday is making a notable contribution to what may turn out to be a synchronised last fling in a remarkably durable economic expansion. Concern about overheating is the order of the day, especially in Britain where the July balance of payments figures have proved so alarming as to wipe out any vestige of doubt about the direction of the underlying trend. The current account deficit may be subject to statistical quirks, but shrinking it is not.

Fine tuning

Yet this is not quite the same as a 1970s-style balance of payments crisis. With Britain's external assets standing at £90bn, the financing of the deficit is not yet problematic and the official reserves have more than doubled in the past two years to more than $50bn. Such a starting point for the defence of sterling would have been the envy of any previously beleaguered British Chancellor. The real problem is how to fine tune a slow down in domestic demand which, as this week's retail sales figures confirmed, remains obdurately buoyant. The succession of base rate increases through the summer to the present 12 per cent level makes the point. Few in the City are prepared to put their shirt on the process stopping there, although some are willing to chance their arm for more modest stakes.

In the final analysis the prospects for British share and bond prices cannot be divorced from prospects in the rest of the world and, more particularly, the US. And if there is any single feature that differentiates the present expansion from earlier post-war economic cycles, it is the extent to which trade imbalances, and especially the US external account deficit, have cast a shadow over the medium and longer term outcome. The sheer size of the federal budget deficit in a period of historically low unemployment points to the need for fiscal adjustment rather than exclusive reliance on monetary weapons. Yet the readiness of an incoming President to grasp this sturdy nettle remains in doubt.

Until this issue is resolved – and the new President does not take office until January – the markets will remain uncomfortably in limbo, pondering whether the US can steer a delicate course through the twin perils of recession and inflation towards a soft landing. In the absence of a strong policy signal, a renewal of dollar weakness must be on the cards next year. Do not be surprised if we hear more talk before long about the market imposing solutions of its own.

The dream of independence that died

Christopher Parkes reviews the recent ups and downs of Parker Pen

The short history of Parker Pen as an independent, private company has been turbulent from the beginning. The stresses started in mid-1985, when Jacques Margry and his management team started their campaign to buy out the venerable pen company from the US Parker group, since renamed Manpower.

As head of the highly successful European division, Mr Margry had looked on helplessly as the US operations stumbled from crisis to crisis and at last came to the auctioneer's block. Without stopping to search for to funds, he rounded up a team which would mortgage itself to the hilt and work half to death to make his plan work.

Three years later, Parker is preparing to be absorbed by Pentland Industries. With more relief than disappointment in his voice, Mr Margry says: "My early dreams have gone, and we have settled for the best practical course."

Remnants of the original Parker family, which were still stakeholders through Pkr Associates, had at first doubted Mr Margry's ability to succeed where a procession of US executives had failed. US management was obstructive and key financial information was hard to come by. Some of the putative investors felt that the US pen division, a drain down which the old management had lost £26m between 1983 and 1985, was too much of a liability and at first wanted it excluded from the buy-out. Distributors were nervous, and destocked drastically when news of Dunhill and Gillette showing interest in taking over Parker further raised their concern about the company's future. And while the $100m deal set no financial records, it was certainly one of the most complex attempted at the time, involving Schroder Ventures, the leading investor with a 30 per cent stake, in the purchase of 19 Parker companies in eight different currencies.

Yet at the half-way mark in the first year Parker had stemmed its US losses, reducing costs there by $20m a year. The group was already back in profit and well ahead of forecasts. It had bought a 12 per cent stake in its French rival Waterman, and entertained ambitions to make a full bid. Mr Margry's team was working well, and had a clear twelve-month in which to get on with running the business.

Six months after the buy-out, Mr Margry was relaxed enough about that hectic time to comment: "The beauty of it is that when you start you don't know what you are in for."

But there was more trouble to come. Towards the end of that period, the stock market was sending out seductive signals, and the opportunity seemed to good to miss. Coached by Jon Moulton of Schroder Ventures, Parker was prepared for a flotation. Although Schroder's style is not to seek an exit for between three and eight years, Nick Ferguson, chairman of the venture firm, said yesterday that the heady days of 1987 seemed to present an opportunity too good to miss.

But world stock markets crashed as flotation day approached and the preferred exit was closed. Although it was not apparent at the time, Parker was beginning to turn down the road towards this week's agreed £193m bid from Pentland. "None of this would have happened if the stock market hadn't bombed," Mr Ferguson says.

Despite the diversions caused by preparations for a further flotation attempt, Parker was still making progress. In May this year, helped along by restocking among relieved distributors and some astute marketing of new, high-price pens, it turned in a 22 per cent profits increase for the year – the best results in the group's 100-year history, Mr Margry noted. It was ready to try the market again. A senior financial adviser was talking confidently of floating at a high price in the reviving market, and stockbroker Cazenove was privately touting the impending launch as "a winner."

Two weeks later, however, the mood had changed. Without warning, merchant banker Lazards and Cazenove shocked Parker, Schroder and the other investors with the declaration that they could expect a stock market valuation some £15m less than the £155m they had been expecting. The float was pulled again on the day the City was awaiting the announcement of the launch price. Although Parker still retains Lazards, the bank was not involved in this week's takeover deal.

Twice bitten and deeply embarrassed, no-one was eager to become involved in any more flotation attempts. Margry said after the debacle that most of the investors were prepared to stay in for a further three years. As part of the penalty for missing its footing on the market's threshold, Parker was being harassed by "fictitious" inquiries from "bidders" with nothing to offer the company but financial deals of doubtful worth.

Recognising the investors' need for a valuation of their stakes and a possible exit, he was happy to co-operate with Schroder's proposal for recapitalisation of the company. Schroder wanted to reduce its shareholding from 30 per cent to 23 per cent in a manoeuvre which would have increased the stake of the management and Pkr Associates and satisfied the venture capitalist's need to show profit.

Sale was not being considered, although, as he said at the time, Mr Margry would have preferred a long-term investor prepared to take a minority stake.

And then Pentland showed up, uninvited, two months ago, looking for an international brand to match the appeal and value of its Reebok sports shoe business.

As the agreed price suggests, Schroder's opposition to the second float attempt was well justified. Pentland's intervention was also timely. Management and the venture capital investors agreed that rising interest rates made recapitalisation seem increasingly risky. "After lots of heart-searching, management decided this was the best course to take," Mr Margry said.

The buy-out team and Pkr Associates were hoping to keep the company independent. One option was for management to buy out some of the venture capital investor's holdings. "But we needed too much money to do that . . . we ran out of time."

Mostly in their mid- to late-50s, and already heavily mortgaged, the management felt unable further to crank up their personal gearing. Despite its protests, Pkr Associates was unwilling to provide more funds and finally fell in with the deal.

But even at the last, Parker was to stub its toe. Although the company had been urged to announce that the sale deal had been agreed by the board on September 2, it preferred to remain silent. But a press leak precipitated Thursday night's announcement of agreement that the deal was on and no further suitors need apply.

The management team's initial 25 per cent stake in the buy-out and their tribulations of the past three years have been generously rewarded. They are generous in their praise for the guidance offered by Schroder, which was meticulous in its dealings with them, they say. There is a lingering disappointment at the loss of independence, but, as Mr Margry points out: "We are employees again, but in the best possible conditions."

He had felt pressurised at times, he said, although he accepted that venture capital institutions were in business with profit motives like other companies. With hindsight, he noted two lessons: prospects for long-term independence might have been improved had his team taken a stake of around 40 per cent from the outset. "And we would not have pursued the second flotation without firm guarantees of a minimum price."

People with commercial dreams like his should also read most assiduously their handbooks on venture capital, he said, paying special attention to every reference to the word "exit".

The pen is mightier than the foot

THE STORY of Pentland Industries begins in the Lancashire footwear industry of the 1930s; it moves on to London's secondary banking crisis in the 1970s; thence to the US aerobics boom of the early 1980s; and now to Parker Pen.

The business began as the Liverpool Shoe Company. Its fortunes waxed and waned for decades with those of the Lancashire footwear industry. By the 1970s its sole, somewhat dubious distinction was its involvement with the collapse of London and County Securities at the start of the banking crisis.

But in 1981 Mr Stephen Rubin, the founder's son, was persuaded by a US businessman to bale out his struggling sports shoe business. Mr Rubin, a man with a shock of white hair and a taste for flamboyant bow ties, paid $77,500 – less than £50,000 at today's exchange rates – for a 55 per cent holding in the company.

The struggling business was Reebok. Within a few years it had become one of the best known names in sports shoes. The secret of its success was the Freestyle, a stylish shoe in soft leather designed for the young women who flocked in their thousands to aerobic classes.

Reebok's sales rocketed. By the time it went public in 1985 Pentland's $77,500 investment was worth over $130m. Reebok's share price soared on Wall Street; Pentland's followed suit in London. Suddenly the moribund footwear firm was one of the sexiest stocks on the market.

The aerobics bubble burst. Reebok had diversified into basketball shoes, boxers' boots and into Weebok kiddie shoes. But in summer last year its production was disrupted when South Korea, its main manufacturing centre, plunged into political unrest.

South Korea stabilised, but Wall Street had begun to worry about Reebok's other weaknesses. The leather price was rising. The dollar's decline made overseas sourcing less profitable. South Korean labour costs were increasing. And Reebok, despite its diversifications, showed no sign of finding another product as successful as the aerobic shoe.

Pentland had diversified too, buying an electrical business in the US. But when its interim results were published last week, Pentland derived over three quarters of its £38.5m profits from its 32 per cent stake in Reebok.

As Reebok's fortunes faltered on Wall Street, Pentland's share price suffered with it. As Mr Rubin was aware, the City was waiting for "another Reebok". Pentland has been searching in earnest for sizeable acquisitions for a year or so. When the opportunity arose to buy Parker it pounced.

Pentland has bandied about the customary post-acquisition platitudes about "geographic fit" and "high quality" brands. The City, or so yesterday's fall in Pentland's shares suggests, is unconvinced.

Alice Rawsthorn

Burying the bad old Brezhnev days

Quentin Peel on the effort to discredit the former Soviet leader

Brezhnev three years after his 1976 stroke

The demolition of the public image of Mr Leonid Brezhnev, former general secretary of the Soviet Communist Party, president of the presidium of the Supreme Soviet and Marshal of the USSR, reached a new peak this week with the opening of the trial on corruption charges of his son-in-law, Mr Yuri Churbanov.

Yet nothing that will emerge in court, or outside it, is really likely to shock an already hugely cynical Soviet public.

Even during the declining years of his life, Mr Brezhnev was already subject to almost universal private ridicule, while simultaneously enjoying a cult of personality to rival that of Joseph Stalin.

"Brezhnev is dead," they used to say in Moscow, "but his body lives on" – a neat corruption of the old slogan: "Lenin is dead but his deeds live on." So when historian Roy Medvedev revealed this week that Brezhnev was actually pronounced clinically dead six years before his final demise, they simply said: "We told you so."

The difference now is that the mockery and outright denunciation is officially sanctioned, not simply the stuff of street-corner jokes and cocktail party gossip.

The fact that Mr Yuri Churbanov, once a presentable but unremarkable young policeman and Communist Party youth worker, became a Colonel-General of Police and deputy minister for internal affairs under the old regime would have been no surprise. His father-in-law had surrounded himself with family and friends during his 18 years in power.

This week Mr Churbanov was a sorry, crumpled figure in the dock beside eight co-defendants. He has already been found guilty in all but name by the Soviet press, damned by the Communist Party's most powerful organ, Pravda, for his moral guilt, if not for the specific charges he faces.

Both prosecuting and defending lawyers have been anxious to deny any suggestion that the trial is political. Yet Pravda and the whole legion of Soviet political commentators are in no doubt as to its political significance.

"It is relevant to study Churbanov as a phenomenon of the years of stagnation, when an air of secrecy reigned, when nomination to high-ranking posts and judgement of one's personal character were not based on one's working skills or achievements, but according to family positions and the skill to please this or that clan," the party newspaper declared on the eve of the trial. "This was a phenomenon rooted deep in the command-bureaucratic, authoritarian style of leadership, thinking and activity.

"The development of glasnost, democracy, and the election of the leadership, this is what will help us to avoid Churbanovism and other similar phenomena."

The Churbanov trial is the logical conclusion of a demolition process which began almost as soon as Mr Yuri Andropov succeeded Mr Brezhnev in 1982, with a brief respite under Mr Konstantin Chernenko, and then continuing with a vengeance under Mr Mikhail Gorbachev.

It is a demolition process which has been applied to every Soviet leader except Lenin and Andropov – although Chernenko, Brezhnev's closest crony, has been considered too irrelevant to merit more than a passing stone. Stalin's name was damned by Khrushchev – albeit for the ears of party members only – and he in turn was rudely debunked by Mr Brezhnev.

So is the destruction of the Brezhnev cult any different, or is it simply a new Soviet leader ensuring his own status by destroying his predecessor?

If Mr Gorbachev's words are taken at face value, it does seem to be more substantial this time. What he is seeking to destroy is not just a personal reputation, grossly inflated as it was, but a whole style of government.

The real outpouring of criticism came on the eve of Mr Gorbachev's special party conference in June. On that occasion he had to prove that there was no going back to the bad old days of Mr Brezhnev. Much of the criticism has undoubtedly been very personal. "Brezhnev began to collapse and fall apart as a personality and a politician," wrote Alexander Bovin, a leading political commentator. "He totally lost any self-critical control over his actions, and believed in his own greatness."

He went on, however, to put that personal behaviour in a wider context relevant to the Gorbachev reforms. Brezhnev, he said, was "a man of the (party) apparatus and in fact a servant of the apparatus." In other words, the party bureaucracy whose stranglehold on Soviet life Mr Gorbachev has pledged to loosen.

Like so many character demolitions in the Soviet Union in the past, however, the present exercise may be in danger of going too far. A librarian revealed last month that orders have gone out to remove Brezhnev's writings, as well as those of his head of ideology, Mr Mikhail Suslov, from library shelves. It would, she told the newspaper Izvestia, simply create new "blank spaces" in Soviet history.

The question now is just how far Mr Gorbachev wants to go. His political need is to expose the faults of the Brezhnev years – corruption, nepotism and complacency – so that his rivals within the ruling party cannot turn the clock back again. But if he is genuine in his belief in glasnost – in a more open style of government and promotion of a real political debate – then to denounce the Brezhnev era unreservedly could prove equally counter-productive. After all there was a slow but steady improvement in Soviet living standards under Brezhnev, whereas Mr Gorbachev's economic reforms have yet to show any real benefits for the man in the street.

There is a real schizophrenia in the Soviet soul: while recognising all the failures in their leaders, Soviet people are still prepared to suffer them. Mr Gorbachev's danger is that he may come to represent more of a threat to a familiar and easy – if fairly depressed – way of life. Ordinary people could come to hanker after the good old, bad old days of a bit of corruption, but not too much disruption.

In a week in which most Britons have at least been inconvenienced by the postal strike, one man has been revelling in it all.

Alan Jones, the managing director of TNT (UK), has greeted the collapse of the mail service with ill-disguised glee. TNT, the UK subsidiary of the giant Australian transport group, is the largest private parcel carrier in Britain. Since the strike began its staff have worked day and night to meet demand from companies stranded by the Post Office.

The strike is an invaluable weapon in Mr Jones's crusade against the Post Office monopoly of letter delivery. On Tuesday his Mercedes-Benz (numberplate: TNT 1S above the slogan "Haulier of the Year") was parked outside the Department of Trade and Industry while he was inside arguing his case for a private postal system.

An abrasive 41-year old, Mr Jones was born in Smethwick, near Birmingham and educated at the local grammar school. His academic career was far from distinguished. When, at the age of 16, he asked whether he should stay on for the A level examinations or accept a job offer, the headmaster suggested it would be better if he left.

MAN IN THE NEWS — **Alan Jones**

Carrying the battle to the Post Office

After qualifying as an accountant, Mr Jones joined the National Freight Corporation, then the only serious competitor to the Post Office as a parcel carrier. He worked his way up, "escaping" from accounts to become regional manager first of the Midlands, and then London.

Mr Jones was full of ideas for bigger and better services. But he found that forcing them through the regional hierarchy was like "pulling teeth." When TNT offered him a job as its first general manager in the UK, he jumped at it.

In the rough, tough world of transport, TNT is as tough as they come. It traces its roots to the Australia of the late 1940s when Sir Peter Abeles, a Viennese emigré, set up in business with two trucks called "Samson" and "Delilah". Today TNT is a A$3.7bn (£1.7bn) empire with interests in shipping and airlines. When Mr Jones joined, in 1981, it was already one of the biggest transport groups in the world.

He took control of a business about the same size as one of the smaller depots in his NFC region. But TNT had plans: to start the overnight delivery service that it had pioneered in Australia.

Within two years TNT became the biggest parcel carrier in the UK. It now embraces 600 depots, with two jets, 3,000 trucks and 7,300 employees. There is a company courier on every Concorde that flies out of Heathrow. It says it can deliver a parcel today or tomorrow. "The only thing we cannot do is deliver it yesterday," he says.

In 1986 Mr Jones had the chance to prove how tough his company could be when Rupert Murdoch, the Australian-born media mogul with a 5 per cent stake in TNT, transferred overnight the printing of his national newspapers to Wapping.

TNT provided the trucks to transport the papers out of Wapping through furious picket lines. It built up a secret fleet of trucks in advance. But it was left with just a weekend to hire a team of 550 drivers.

The operation worked. Mr Murdoch now uses the profits of his British papers to bankroll his exploits in the US. After months of violence and vilification, TNT is now one of the biggest newspaper distributors in the UK. Mr Jones says that his drivers "miss the excitement" of the early days.

The TNT battleplan for the present postal strike was mapped out with the same military precision.

When news of the strike first broke, TNT depots were instructed to cold-call Post Office customers in their areas to ply the merits of TNT's service. Since the strike began, the volume of letters and parcels passing through its depots each night has doubled. "The business has gone bananas. The switchboard is lighting up like Christmas."

But the current bonanza is only the beginning. For the last year or so Mr Jones has been ogling the Post Office's monopoly on the delivery of letters costing less than £1.

So far the Government has opted to retain the monopoly. It is concerned that the rural mail would suffer in a private system and that the principle of common pricing, established by the "Penny Post" in the 1800s, would be jeopardised. Even Margaret Thatcher, the arch-privatiser, has ruled out the Royal Mail as a candidate for privatisation.

Mr Jones hopes that the strike – or rather the sight of small businesses strapped for cash and empassioned picket lines – will make the Government dwell less on the Penny Post and more on its abhorrence of monopolies.

At the DTI on Tuesday he put forward proposals for a duopoly of two competing postal services, similar to British Telecom and Mercury in telecommunications. One would be run by the Post Office, the other by TNT.

"We cannot offer the Government a solution to the short term problem of the strike," says Mr Jones. "But we can make sure that Great Britain Ltd does not suffer like this again. We can even make sure that people do not have to queue for half an hour to buy a stamp while someone else is buying a dog licence."

Alice Rawsthorn

Two cheers for Postman Pat

Michael Prowse says market forces are not the cure for the ills of the postal service

"How many post boxes do you have in your road? We have a red (Royal Mail), a yellow (Speedidelivery Inc) and a green (Whizzpost plc)."

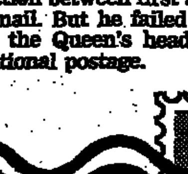
"Oh, we have only Speedi and Whizzpost. But a salesman was round the other day trying to sell a cheap facsimile machine."

Such a conversation may sound absurd today. But it could become commonplace if the Thatcher Government were to heed calls for the abolition of the Post Office's statutory monopoly on letter deliveries. Under present laws, nobody but the Royal Mail is permitted to deliver letters costing less than £1.

Given the scale of disruption caused by this week's stoppage, the Post Office will not be surprised by calls for competition. Disputes in the past have often provoked similar reactions. But successive governments have taken the view that a free-for-all would create more problems than it would solve. The Department of Trade and Industry completed a review of the monopoly only a few months ago and opted to retain the status quo.

This may seem an inexplicable decision. Few politicians are more committed to market forces than Lord Young, the Trade Secretary. Surely he understands that competition would have a sobering impact on the more militant postal workers? Surely he realises that exposure to market pressures has helped the Post Office improve standards in other areas of its business, such as parcels and girobank?

He undoubtedly does. But the DTI was also exposed to some potent political and economic arguments in favour of the monopoly. The politics of post should never be underestimated. Mr Tony Benn was an energetic and reforming Postmaster General in the 1960s, inventing the distinction between first and second class mail. But he failed in his bid to get the Queen's head taken off the national postage.



That head looms large on the cover of the Post Office's latest report and accounts. But it might not sit prettily on a stamp issued by Whizzpost plc. Yet if private firms were obliged to use some other mark and the Post Office lost its profitable business to raiders, the sovereign's head would soon become the symbol of a declining public service.

Nobody would pretend that these are rational arguments. Why shouldn't the Queen symbolise a declining industry? Prince Charles visits enough of them. All the same, the royal connection was one reason why Mrs Thatcher ruled out early privatisation of the Post Office during the last election campaign.

The economic case for retaining the letter monopoly has been ably expounded by Mr Roger Tabor, the Post Office's director of corporate planning. It rests, principally, on the assumption that two or more competing firms could not deliver letters *throughout the country* as cheaply as a single integrated postal service. Those tempted to dismiss this claim should reflect that letter delivery is monopolised almost everywhere. Everybody, of course, could be wrong; but it is at least as likely that letter delivery is not a naturally competitive industry.

Mr Tabor, writing recently in *Public Finance and Accountancy*, recognises that competition can spur a large organisation to better performance. But he argues that this benign effect of abolishing the monopoly would be more than offset by other efficiency losses. The losses would arise principally from the erosion of existing economies of scale and from the costs imposed by the more complex pricing structure than competition would necessitate.

You don't need a Phd in economics to understand why monopoly is likely to be the most efficient market structure. The total volume of letters is unlikely to change much if Speedidelivery and Whizzpost enter the market. Yet if they do more than "skim the cream" – in other words take on unprofitable as well as profitable business – they will have to invest heavily in collection, sorting and delivery facilities.

Only the most ardent fan of competition will believe that three postmen carrying three postbags a third full are preferable to one carrying a full bag. What state will the dog be in at the end of the morning rounds? The serious point is that three distribution networks must cost more than one. Speedi, Whizzpost and the Royal Mail could appear to be locked in cut-throat competition yet all be obliged to *charge more than current rates.*

But the parcels market already sustains vigorous competition. What makes letters different? Two things: the much higher volume of letters (51m a day were delivered last year), and the very low value of each item. The economies of scale are less significant for the relatively infrequent delivery of relatively high-value items. If Postman Pat calls every day with letters, he may as well bring *all* the letters; but if he brings a parcel only once a month it may make sense for him to compete with Postman Bill.

Suppose it is accepted that more than one national postal network would not make sense. Surely private firms could provide competition in specific markets? They certainly could. Overnight deliveries in London, for example, *might* be profitable at around half the present first class rate. But if cream-skimming were legalised, the Post Office would need to be able to vary postage rates in order to prevent excessive erosion of its profits.

This would undermine the present simplicity of the pricing structure. Instead of being able to send a letter from anywhere to anywhere for a flat fee, users might have to consult a complex schedule of charges. Rates would rise sharply *for delivery to remote areas* and even more steeply for delivery from one rural area to another.

Good, the free-marketeers will reply: why should city dwellers subsidise country-folk? (A fanatical desire to eliminate cross-subsidies, however minute, is a hall-mark of neo-conservatives – remember the debate about rural bus fares?) In the case of postage, however, it is absurd to try to achieve a precise matching of costs and prices. Given the very low face value of a stamp, the supposed gains in terms of allocative efficiency could well be swamped by the administrative costs of the new system.

Elsewhere, the trend is towards greater uniformity of postal charges. It would look odd, to say the least, for the postage rate from *London to Wales to exceed that*

from London to any other capital in *the European Community.*

In any case, the advocates of radical reform should be careful not to underestimate what has been achieved by the present postal strategy. This has been to subject the state-owned monopoly to a rigorous regime of efficiency targets and Monopoly Commission audits. "By criterion," concluded Mr Robert Albon in 1986, "the Post Office has performed well in recent years." Mr Albon is not a union activist but the free-market author of Privatise the Post, a pamphlet published by the Centre for Policy Studies.

The UK Post Office is the only unsubsidised EC postal service to have made profits for 12 successive years. During the past decade it has granted the Treasury interest bearing loans worth £1⅓bn in the form of negative external financing limits. It has reduced real unit costs *substantially since 1982.* Stamp price inflation has lagged well behind general inflation and the volume of business has surged. These are hardly signs that the consumer has been exploited.

Continuity of service, of course, is essential. And Sir Bryan Nicholson, the Post Office chairman, would be the first to concede that the "privilege" of the letter monopoly has been abused in the past week. But the right response to labour relations difficulties is not to cobble together some kind of inherently inefficient market system.

Market forces are not the only route to improved performance. The driver of the yellow Swiss post bus is reliable and efficient not because he fears competition from a cut-price private-sector rival, but because he wants to do a good job. He does not want to let others down. His standards are imposed not by the market but by his own sense of personal pride and commitment to the community. Would that this were more often true in Britain.

LETTERS

Patience may be no substitute

From Mr Henry Neuburger.

Sir, Your rejection of credit controls (leading article, September 7) as a response to the mounting UK balance of payments deficit is based on a number of dubious arguments. The most disturbing is your claim that this Government can afford patience.

Unless the trade position improves in the next few months, it is unlikely that the Government will be able to sustain the present level of the pound with yet further rises in interest rates. The overseas assets on which the Government relies to finance the balance of payments would be fully exhausted in about four years at the present rate of deficit. Currency markets will surely react long before that.

The trade deficit is the strongest evidence that the Government has not improved the underlying performance of the economy enough to sustain the surge in demand unleashed by its fiscal policies and financial deregulation. It has proved that it can increase demand. What it has failed to show is that it has created an economy which can meet that demand.

That is why it is important to distinguish – as you appear unable to do – between finance for purchasing videos and finance to build a video factory. In the present state of British industry, finance to buy a video will increase imports. Finance to build a video factory may boost imports in the short run, but will reduce them in the long run.

The ability to borrow freely, which you see as one of the better aspects of Government policy, has been an important contributor to the current expansion of demand. It has brought *great difficulty* to a small minority of people, and exposed the unsolved weakness of British industry. That weakness is the result of long term failure to invest, itself the result – in part – of high interest rates.

Controls on credit may not be the whole answer to our present difficulties, but surely it cannot be rejected until some more effective alternative has been found. Patience alone *will not serve.*

Henry Neuburger,
21 Northchurch Road, N1

Industrial rates unfairly applied

From Mr J.C.L. Cox.

Sir, In James Burton's article (*"Scottish hopes of* rates harmony take a pounding," September 1) the Scottish Assessors Association is quoted as saying that full harmonisation of the rating systems between Scotland and England and Wales will require legislation. This must not be allowed to become a reason for delaying progress on this issue.

The Chemical Industries Association, in conjunction with the UK Petroleum Industry Association, has been conducting a comprehensive examination of the Scottish industrial rating system to find ways in which it might be *improved – and the unfair* burden on the Scottish industry removed.

Most of what is necessary substantially to improve the situation could be achieved in Scotland by changes in practice and administration, and even where changes to legislation *are required, these will be* slight.

To achieve this we are preparing detailed proposals which will be put to Scottish Office ministers within the next few weeks. One of the effects of these proposals will be to facilitate harmonisation between the two rating systems.

J.C.L. Cox,
Director General, Chemical Industries Association,
Kings Buildings,
Smith Square, SW1

Savings incentive could help credit controls

From Mr Graham Brack.

Sir, In discussing the personal sector deficit, it should not be forgotten that the Government has an alternative to credit controls which accords well with its stated policies.

UK personal savings are low compared with competitor countries. The use of £1.5bn in tax incentives for savings would reduce personal taxes without a corresponding increase in consumption – and without punishing industry as rises in interest rates do.

The mechanism for introducing such an allowance already exists: composite rate income tax (CRIT), levied on bank and building society interest.

If the rate of CRIT were reduced, but a deduction at marginal tax rates could still be claimed on the annual income tax return, the incentive for saving would be considerable.

It may be argued that tax relief on only one type of deposit would introduce distortions – though I see no distinction between this and mortgage interest relief. Moreover, this reform would impinge on the widest possible number of people, it is administratively simple, and by increasing inflow of deposits it may allow rates to borrowers to be shaved.

Graham Brack,
Michael Meagher,
10 Frances Street,
Truro, Cornwall

Rates preferred over poll tax

From Mr M. Dangoor.

Sir, The planned reform of local taxation has aroused strong opposition. Nevertheless, the proponents of this reform maintain that for local councils to become more accountable there has to be a stronger link between taxation and electoral representation.

This, they say, can be achieved by introducing a uniform business rate and imposing a poll tax on individual residents.

The introduction of a uniform business rate has considerable merit; businesses have been the biggest victims of high spending councils. But why does the reform have to go beyond that? Once the local councils can only raise revenue from the residents of the borough, surely it does not really matter, overall, whether it is done through a poll tax or rates?

Maybe the rating system can produce some anomalies, but it is preferable to a poll tax which will be much more cumbersome to collect, is not means-tested, and which could even have the effect of hastening the break-up of family households.

M. Dangoor,
6 Falkland House,
Marloes Road, W8

Producers consume and consumers produce

From Mr John Bridge.

Sir, Concern over the interests of the "consumer" is in danger of becoming an obsession. You appear to divide the population into producers and *consumers*, when in fact they are mostly the same people.

Producers – of goods or services – spend their incomes as consumers. If for any reason they are deprived of income they cease to consume. Dumped imports benefit the consumer only until such time as his/her place of work closes as a result of those imports.

No sensible person wants a siege economy, but a balance between what is fair and what is unfair needs to be struck. It is regrettable that your contributions to this argument are so uncompromising.

John G. Bridge
Chairman, The Textile Industry Support Campaign,
Thorncliffe,
115 Windsor Road,
Oldham, Lancashire

Scribble, scribble, Mr Analyst

From Mr Richard Henderson.

Sir, In one important respect Mr Nigel Lawson, the Chancellor of the Exchequer, was right in warning us of the dangers of the "teenage scribblers."

The main *collective* weakness of City analysts is that they are too gullible; too willing to believe anything the Government says, as long as it is a Conservative government. Equity analysts have a similar (and better-known) weakness for what their companies tell them. The important result is that Conservative Chancellors of the Exchequer are allowed to get away with economic policies far more irresponsible than anything their Labour Party counterparts would be able to foist on the markets.

In this particular case, if more "scribblers" had been around in 1972, and recognised the symptoms, even normal gullibility would surely not have blinded them to the magnitude of the latest *débacle*, and the whistle would have been blown long since.

The only likely break with the inflation tradition established by the late Mr Reginald Maudling's and the then Mr Anthony Barber's chancellorships is that (thanks to the staggering ineptitude of the opposition parties in the UK) it may be the Conservative Party itself which now indulges the national economic masochism.

Richard Henderson,
20 Tamar House,
12 Tavistock Place, WC1

TV watching can be improved enormously

From Dr Brian Evans.

Sir, Unlike Mr Hopewell-Smith (Letters, September 8) I was delighted to learn of the US Federal Communications Commission's (FCC) decision to support a US high definition television standard instead of the incompatible Japanese 1125/60 system.

The US decision is based on the need to provide an enhanced (high definition) television service compatible with the existing NTSC (National Television Systems Committee) TV standard. Both the current US and European television systems can be improved enormously if the "line-iness" of the picture can somehow be removed. New generation frame store television sets can do this – at a price.

Picture improvement can be gauged in the south east of England by comparing today's BBC1 and BBC2 pictures. Continental television interference is causing a "venetian blind" effect on BBC1 (exaggerated line-iness); whereas BBC2 is clear of such effects.

Brian Evans,
19 Cassiobury Park Avenue
Watford, Hertfordshire

UK COMPANY NEWS

Deal with Belgian company cuts net cost of Staley acquisition

Tate & Lyle strengthens European position

By Clay Harris

TATE & LYLE, the diversified sugar refiner, yesterday broadened its presence in continental Europe and in starch production through a complex transaction which further reduces the net cost of its acquisition of Staley Continental, the US corn syrup group, earlier this year.

A deal with CIP, a privately owned Belgian company, will reduce Tate's effective stake in Staley to 90 per cent, but lift its interest in the CST Group, one of Europe's leading starch producers, from 33.3 per cent to 63.3 per cent. CIP will invest $175.2m (£103.3m) in equity and debt in Staley.

For the first time, Tate will be producing more sweeteners by volume from cereals, such as wheat and maize, rather than sugar cane. In revenue terms, however, the contribution from the two sources is expected to be roughly equal.

Mr Neil Shaw, Tate chairman, said the Staley acquisition had given his group the leverage to improve its position in Europe. The deal would have a neutral effect on Tate's overall earnings, but would cut from 65 per cent to 50 per cent the US contribution to total income from sweeteners and starches.

It also strengthens Tate's access to an important European Community quota, that for isoglucose, the soft-drink sweetener known in the US as high fructose corn syrup. CST has 55 per cent of the EC quota for this product, helping to offset the disadvantage Tate, as a cane refiner, faces in an agricultural programme tailored to the interests of sugar beet producers.

CFP owns Tunnel Refineries in Greenwich, south-east London, and Belgian-based Amylum, the core of the group. It also owns all of a Dutch starch producer, and 48 per cent and 51 per cent respectively of a Spanish and Greek producer. In the year to August 31 1987, CFP's pre-tax profits fell to £13.7m, but Mr Shaw said the total for the year just ended would match or exceed the £15.9m achieved in 1985-86.

The transaction is also important for CIP, whose chairman, Mr Pierre Callebaut, is joining the Tate board. Before Tate launched its bid in April, CIP was the single largest shareholder in the US company with a 5 per cent stake. Mr Callebaut, who yesterday said Tate was now the "world's largest carbohydrate producer," said his company - like Tate - had chosen to diversify its geographical and product spread.

Some agreement was necessary between Tate and CIP because of a pre-emption agreement dating from 1976, which enabled each of three equal partners - Staley was the third - to maintain its relative share in CST.

Although Tate's takeover of Staley valued the company at $1.48bn, assumed liabilities and payments of "golden parachutes" raised the total cost to close to $2bn. Earlier disposals and yesterday's deal reduce the net cost of the 90 per cent stake to $1.08bn, according to Mr Shaw.

The transaction cuts Tate's consolidated net borrowings from £900m just after the Staley deal to £550m, against net assets of £440m. Neither figure takes account of cash generated during the last six months of the financial year which ends on September 30. Tate shares closed 5p higher at 809p.

KLP warns profits will be hit by post strike

By Clare Pearson

KLP GROUP, sales promotion consultancy with substantial interests in direct mail, yesterday warned its results for the year to September 30 would be hit hard by the postal strike. The shares fell 5p to 270p on the news.

KLP, which describes itself as one of the UK's biggest users of mail services, said the strike had come at what was usually the busiest time of year for its direct mail subsidiaries.

Mr Colin Lloyd, chief executive, said the Odhams Leisure Group subsidiary, which as a principal runs some 20 different clubs through the mail, would be chiefly affected. "Not only can we not get literature to subscribers, but we have no idea who are the new members," he said.

The company is also affected through its two direct marketing subsidiaries, which had geared up to meet increased demand from customers hoping to beat this week's increase in postal charges.

KLP said another announcement would be made when the full impact of the strike had been established. Analysts, who had been expecting up to £4.2m pre-tax profits this year, against £2.44m last time, suggested the strike might reduce the result by around £250,000.

Cookson extends £25.5m offer for Wolstenholme Rink

By Clare Pearson

SHARES IN Wolstenholme Rink, lithographic materials group, were marked down sharply yesterday as Cookson Group, specialist metals and chemicals manufacturer, squashed hopes that it would increase its £25.5m contested offer.

Rather than increase its offer, Cookson simply extended the bid until September 23. Cookson has so far received acceptances from just 0.5 per cent of Wolstenholme's shareholders, and owns a further 0.7 per cent.

Mr Michael Henderson, Cookson's chief executive, said: "We continue to see Wolstenholme as interesting, though not strategically important for us." He added that he hoped yesterday's announcement that the terms would not be improved would help shareholders to concentrate on the commercial logic of the offer.

But Mr Tony Rink, Wolstenholme's joint managing director, said: "So far as I can see Cookson is throwing in the towel, and I wish they'd stop wasting our time and our shareholders' time." Wolstenholme urged shareholders to ignore what it described as a "frivolous and ill-advised offer."

Cookson's offer has stood at a substantial discount to Wolstenholme's share price since it was announced in July. Yesterday the five-for-three share offer valued the shares at 408p, still below Wolstenholme's closing price of 430p, down 50p from the high. There is a 410p cash alternative.

Wolstenholme had earlier this week rejected an attempt to open discussions aimed at agreeing terms, which might have led to an improved price, Cookson said. Mr Rink said Wolstenholme had done so because Cookson had refused to "put even a sensible ball-park price on the table."

Lonrho suspects single buyer has 3.75% holding

By David Waller

LONRHO, the controversial international trading company headed by Mr Tiny Rowland, believes that a single buyer *has accumulated a stake of* some 3.75 per cent of its shares in recent weeks.

Mr Paul Spicer, a Lonrho director, said yesterday that he had been monitoring the unusually high turnover in the company's shares. It appeared to him that some 15m shares, or 3.75 per cent of the equity, had gone to a single source.

Mr Spicer's comments came during a day of renewed speculation that a potential predator has been building up a holding. The shares gained 11p to 261p amid rumours that a buyer had now acquired over 5 per cent of the company's shares.

Mr Spicer said that he had no idea of the identity of the buyer. It will have to be revealed within 5 days if the holding has indeed gone beyond 5 per cent.

Lonrho, with interests ranging from mining, hotels and motor distribution to publishing and agriculture, has always been the subject of bid speculation. Stockbrokers believe that the group has a break-up value of 450p to 500p a share, valuing it at around £2.6bn.

"The market has consistently undervalued the company," said Mr Bob Haville of Morgan Stanley yesterday. This appears to be because of high proportion of the group's profits coming from Africa, and because of Mr Rowland's mercurial temperament.

CPIO buy helps Laird to £17.4m halfway

By Andrew Hill

LAIRD GROUP, the diversified sealing systems, engineering and transport company, increased pre-tax profits by 18 per cent to £17.4m in the six months to June 30, against £14.7m last time.

The March acquisition of CPIO Group from Renault, the French car manufacturer, boosted trading profits in the sealing systems division by £2.1m before financing costs. The division made £15.1m (£13.2m) in the first half *despite the £800,000 negative* effect of exchange rate movements.

Excluding CPIO's contribution and that of Laird Catering, since sold, in the comparative figures, the underlying growth in group profit before interest and tax would have been about 15 per cent.

Turnover advanced from £193m to £254m and earnings per share went up to 13.3p (11.4p). An interim dividend of 3.5p (3.1p) was declared.

Profits from the service industries division would have been £300,000 higher but for adverse exchange rates. Plastics distribution in the US improved slightly, while the packaging operation may expand into printing activities. Trading profits fell back marginally to £3.31m (£3.47m).

The specialist engineering side returned to profits of £758,000, against first-half losses of £236,000 in 1987, as a result of an improved performance from Cable Belt, the mining equipment subsidiary, which broke even.

However, Burnley Engineering Products was put under pressure by the need to supply Rolls-Royce with aero-engine components at lower prices. Laird provided about £300,000 in redundancy charges.

Transport systems - manufacturing railway rolling stock, buses and the Metrocab taxi - doubled profits to £215,000 (£106,000), but turnover was sharply up and margins remained poor. Laird said it was preparing to compete with European and Japanese rivals for up to £1bn of rail contracts in the UK, with both British Rail and London Underground poised to renew rolling stock.

● COMMENT

Laird's dominant sealing systems division continues to grow, despite pressure on the building components side. A new car seals factory is expected to open in Spain next year and automotive orders are being taken up to 1991. The group seems less confident about specialist engineering, with Burnley suffering in the first half as Cable Belt recovered, but the division's computer components manufacturers are performing well. The specialist engineering results are likely to be amalgamated with those of the transport systems sector for the full year. Profits are still minuscule in the latter division, although increasing demand for buses and taxis, both in the UK and overseas, could push up margins slightly. Forecasts of about £38m for the full year put the shares - down 12p to 245p yesterday - on a prospective p/e of about 8, reasonably attractive, but overshadowed by the market's worries about an automotive downturn.

More Woodrow and Pearl shares bought

By Nikki Tait

Two well-publicised stakebuilders have been back on the share-buying trail. At Pearl Assurance, the home service life insurer, Mr Larry Adler's FAI Insurance has raised its interest from just over 5 per cent to 5.57 per cent.

Yesterday, Pearl said that there had been no contact with Mr Adler, beyond the formal notification. FAI, an Australian company, first formally disclosed a 5.4 per cent interest in January, having started to amass shares somewhat earlier. Since then, the holding has steadily increased.

Yesterday, Pearl shares responded with a 12p rise to 474p.

Meanwhile, at construction and property group Taylor Woodrow, Peninsular and Oriental Steam Navigation announced that it has nudged its interest marginally higher to 15.8m shares, or 10 per cent. It previously held 15.65m shares.

However, the Taylor Woodrow price - which had risen strongly on bid speculation - eased 8p to 598p. The official line from P & O, the shipping and property group headed by Sir Jeffrey Sterling, is that the shares represent a trade investment and that intentions are not hostile.

All-round growth helps Aurora rise to £6.7m

By David Waller

AURORA, Sheffield-based engineering group, in which Australian National Industries owns a 23 per cent stake, yesterday reported a 38 per cent increase in pre-tax profits to £6.7m for the six months to end of June.

The increase in earnings per share was more modest. A higher tax charge meant that they rose by 15 per cent to 4.17p. The tax rate rose from 28.5 to 33.9 per cent because tax losses and unrelieved tax losses have largely been used up.

Turnover climbed 30 per cent to £72.2m. The interim dividend is doubled to 1.2p a share the result of a desire to reduce disparity of payments.

While giving no divisional breakdown, Mr Douglas Morton, managing director, said that operating profits in the engineering division had increased significantly and the fasteners sector benefited from recent capital investment.

Within the metals and tools division, four out of the six companies exceeded last year's performance "by a wide margin". Profits in the distribution businesses improved by 70 per cent, reflecting buoyant conditions in the building industry.

The results included a small contribution from Westpark, bought for £6m in January.

Mr Morton said the order book had improved by 58 per cent since the year end.

● COMMENT

Although dented at the earnings level because of the increase in the tax rate, yesterday's figures show that the company has resumed the upward trend in pre-tax profits that appeared to tail-off last year. With the 58 per cent increase in the order book, and the recent acquisitions, this should continue, with brokers forecasting pre-tax profits of £14.5m for the full year. Earnings are unlikely to grow by more than 0.7p a share to 10p, putting the shares - up 1p to 95p yesterday - on a multiple of 9¼. This would seem fair on trading grounds, but of greater interest to the investor are the intentions of the antipodean ANI, which has increased its stake from 5 to 22 per cent since Black Monday. The company is mounting a vigorous public relations campaign, which may suggest that it thinks a bid imminent.

Raine £31m office sale eliminates borrowings

By Andrew Hill

RAINE INDUSTRIES, the housebuilder, has sold a 425,000 sq. ft. office complex in Aberdeen for £31m, eliminating its borrowings as it comes to the final stages of its hostile bid for Ruberoid, the roofing materials group.

On Thursday, Tarmac, the building materials and construction company, launched a £141.3m agreed counter-bid for Ruberoid, topping the Raine offer which values the target company at £128m.

The offices, which had been let by Raine's property development and dealing subsidiary, were sold to Triex Corporation, the investment vehicle for a number of North American property groups. The sale had been under negotiation for some weeks.

Tarmac yesterday increased its stake in Ruberoid to about 8.1 per cent and now owns or has irrevocable acceptances representing 13.5 per cent of the capital. Raine and associates own 18.6 per cent of Ruberoid.

Raine argues that the Tarmac offer could face monopolies difficulties. The company will not increase its own offer, but may extend the closing date beyond next Wednesday. The Tarmac bid will lapse automatically if it is referred to the Monopolies and Mergers Commission.

Ruberoid's shares fell from 265p to 260p, after 255p at one point, only 1p higher than Raine's cash offer.

Weinstock warns of more rationalisation at GPT

By Terry Dodsworth, Industrial Editor

LORD WEINSTOCK, managing director of the General Electric Company, warned shareholders yesterday to expect more rationalisation at GPT, the joint telecommunications company set up with Plessey earlier this year.

It was not possible to say at the moment what the benefits from the joint venture would be over the short term, he said, because the formation of GPT was very much a long-term project.

Lord Weinstock was speaking at GEC's annual meeting, where there was some sporadic sniping at the group's profits record and recent share price performance.

Responding to a question on the share price, Lord Prior, chairman, said that the company found it hard to understand the current low level of the shares. Earnings per share compared well with those of overseas competitors, he said, while the company had increased the dividend by 20 per cent for each of the last two years, and by 100 per cent over the last five years.

GEC is considering further share buy-backs as a means of increasing its earnings per share, and shareholders yesterday gave it authority to acquire up to 400m shares, accounting for 14.9 per cent of the company's issued share capital, in place of the 250m previously authorised.

James Wilkes rises to £0.43m

James Wilkes, producer of beer mats and box making machinery, raised its pre-tax profit from £384,000 to £425,000 in the first half of 1988. The interim dividend is being raised to 3.5p (3.3p), from earnings of 8p (6.1p).

Mr Stephen Hinchliffe, chairman, said this was the first interim result since the present board assumed control last February. Since then a number of changes had been made to achieve greater organic growth and to increase profitability.

On the rest of the year, he said the group continued to trade ahead of budget and prospects were encouraging. He hoped to give news about purchases before the year end.

Nalgo seeks water review

THE NATIONAL and Local Government Officers Association (Nalgo), the largest union in the water industry, is seeking a judicial review to prevent water authorities buying shares in statutory water companies. At the same time, Eastbourne Waterworks Company has said it would not register the stake acquired by Southern Water Authority unless a court directed otherwise.

The Nalgo move follows the purchase of shares in two water companies by Northumbrian Water Authority in June. The union believes if it wins a judicial review, the decision will apply to other authorities. Mr Alex Thompson, Nalgo's national organiser, said he believed it was an illegal and morally wrong way to spend public money.

Eastbourne is following Newcastle and Gateshead and Sunderland and South Shields water companies, which have not yet registered the stakes bought by Northumbrian.

Mr Nicholas Ridley, the Environment Secretary, has said the courts should decide whether the 10 water authorities are allowed to invest in the 29 companies which work alongside them.

Elys up at £0.19m

In the first half ended July 30 1988 Elys (Wimbledon), department store, lifted its profit from £162,000 to £190,000. Turnover rose to £4.93m (£4.6m). Earnings were 10.3p (8.8p) and the interim dividend is 1p.

Alumasc downturn to £3.99m

By Richard Tomkins, Midlands Correspondent

A DOWNTURN in orders for aluminium beer barrels led to a sharp decline in full-year profits for Alumasc Group, the Northants-based manufacturer of beer barrels, building products and precision components.

The company yesterday *followed up its disappointing* interim result with a fall in the pre-tax level from £5.03m to £3.99m for the year to July 3. Turnover dropped to £27.4m (£30.9m).

The latest figure would have been £500,000 lower but for an exceptional credit from the cancellation of a long-standing provision for claims under a product guarantee. Alumasc said the guarantee had now expired.

Earnings per share were down from 28.2p to 24p, and an unchanged final dividend of 5p makes the total 7.65p (7.5p).

Mr John McCall, chairman and chief executive, said he remained convinced that the downturn in beer barrel demand was due to a bunching of orders rather than any lasting change in brewery requirements.

The division's order books had picked up in the last quarter of the year and looked good for the current term. Production in the new stainless steel keg plant was also beginning to approach planned levels.

Sales of building products were 18 per cent ahead but profits made little progress because of delays to the launch of a range of aluminium radiators.

Precision components, Mr McCall said, had turned in an excellent performance. The company had achieved A-grade supplier status with IBM and an assignment for Austin Rover marked a return to the UK automotive market.

During the year Ingersoll Locks was sold to Yale and Valor for £2m, and Harmer Holdings, a Herts-based supplier of drains for flat roofs, was acquired for £500,000.

● COMMENT

It has been an unhappy second year *on the stock market* for Alumasc. Those who bought the shares in May 1986 may well have hoped to see a better balance between the profit contributions of the previously dominant beer barrel division and the more exciting precision components and building products operations, but not through collapse at the first and stagnation at the last. Order books indicate a recovery in aluminium beer barrel demand this year, but it is too early to assess its strength; and it would be bold to assume that the new stainless steel barrel plant will necessarily garner all GKN Sankey's business when the latter's Bilston plant closes. Ironically, though, the beer barrel division seems set to dominate the performance again this year with the likely bounce-back outpacing growth from the other two operations. An overall recovery to £5m would put the shares, down 5p at 252p, on a prospective multiple of 9 - a discount to the market well justified by the record.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Alumasc	fin	5	-	5	7.65	7.5
Aurora	int	1.2☆	-	0.6	-	2.75
City/Comm Inv Tr	int	2.98	Sept 30	2.65	-	6.45
Citygrove	int	1.5	Oct 31	1.5	-	4
Dale Group	int	3	-	1.5	4.5	1.5
Daniels (S)	int	1.25	Oct 21	1.25	-	3.25
Elys (Wimbledon)	int	1	-	1	-	12
Laird	int	3.5	Dec 5	3.1	-	7.2
Oceanic Consol	fin	1.25	-	1	1.25	1.1
Second Alliance	fin	16‡	-	14	23	21
Sheildh Jones §	fin	3.3	-	3.3	4.65	4.65
Walker (Thomas)	fin	1.3	-	0.95	1.48	1.13
Wilkes (James)	int	3.5	Nov 7	3.3	-	7.05

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Second interim in lieu of final.☆ To reduce disparity.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§145	F.P.	-	173	145	Christie Group 2p	165		L3.5	3.1	2.8	15.1
§40	F.P.	-	41	39	Exmoor Dual Inv.Tst.	39	-1	1.2	-	4.1	-
§100	F.P.	-	100	100	Do Income 100p	100		N6.9	-	9.2	-
120	F.P.	-	151	123	National Telecom 5p	141	+1	L2.0	4.1	1.9	13.8
§140	F.P.	27/7	161	136	♦Reject Shop 5p	138	+2	t3.15	2.2	3.0	17.8
140	F.P.	5/8	141	109	Rockfort Group 20p	112		R3.9	3.3	4.6	7.3
§125	F.P.	19/8	133	120	Savills 5p	120		L3.0	2.5	3.3	13.2
-	F.P.	-	68	58	Tamaris 10p	58	-2	u2.0	0.4	4.6	-
-	F.P.	-	23	14	Waverley Mining Warrants	23		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
♦	F.P.	-	96p	93p	Alexon Group 6.25p Cv. Rd. Pf. 10p	94p	+1
100p	F.P.	-	115p	110p	§BLP Group 8p Cv Rd Pf 10p	111p	
101.09	F.P.	-	102p	100¼p	Brent Chemicals Int. 9pc Cm Rd Pf	101½p	+½
100p	F.P.	-	106p	91p	Dares Estates 7.75pc Cnv Cm Rd Prf	91p	-2
♦	F.P.	-	101p	100p	Dewty Grp 7pc Cnv Cum Rd Prf	101p	
§100p	F.P.	-	101p	99½p	Exmoor Dual Inv.Tst.Zero Cn Prf	100p	
§101.2	F.P.	9/9	101½p	99p	Lon & Edin Tst 8⅞ 1st Cm Rd Pf 2013	100p	+1
§100.9	F.P.	-	100p	98½p	McCarthy & Stone 8.75pc Rd. Pf. 2003	100p	+¼
-	F.P.	-	100	98⅛	N'wide Ang. 11⅛pc 7.8.89	98¾	
-	F.P.	-	100	98¼	Do. 11⅛pc 29.8.89	99⅛	
100p	F.P.	29/9	120p	99½p	Pleasurama 7.75pc Cv Cm Rd Pf	99½p	-½
100p	F.P.	-	104p	98p	Tamaris 8½pc Cv. Rd. Pf. 2003	101p	
§100p	F.P.	-	96p	94p	York Trust Grp. Rd. Cm. Cv. Pf. 20p	94p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
110	Nil	-	6pm	6pm	Arley Hldgs.	6pm	
80	Nil	-	3½pm	1pm	Ashley Industrial Trust 5p	1pm	-½
155	Nil	-	16pm	13pm	Blagden Industries	16pm	+1
40	Nil	-	6pm	2pm	*Chemex Intl. 5p	2½pm	
350	Nil	-	85pm	40pm	‡Creighton Laboratories 20p	85pm	
10	Nil	5/10	14pm	7pm	‡F & H Group 10p	8pm	
55	Nil	-	4pm	2pm	Five Oaks Investments 5p	2pm	
350	Nil	-	50pm	40pm	Microfilm Reprographics 10p	40pm	-5
75	Nil	-	4pm	1½pm	♦Perkins Foods 10p	1½pm	
180	Nil	-	17pm	7pm	TACE 10p	10pm	-2
25	Nil	12/9	10pm	1pm	Wilshaw 5p	1pm	-¼

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender § Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♦ Unlisted securities market. ♠ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Aug 22
- Last Dealings Sep 9
- Last Declarations Nov 24
- For settlement Dec 5

For rate indications see end of London Share Service

Stocks dealt in for the call included **Peek Holdings, Central and Sheerwood, Norfolk Capital, Marley, Ferranti, Camford, Pentos, Sears, Blacks Leisure, Stormgard, Pict Petroleum, Singer and Friedlander and BSR.** Puts were arranged in **Amstrad, Ranks Hovis, Bodyshop and Helical Bar,** while a double option was transacted in **Ferranti.**

Casting open the possibilities in a changing power game

Maurice Samuelson on moves to bring coal, oil and electricity together in single energy companies

TWO OF Britain's leading private coal companies - Ryan International and NSM - this week took part in financial realignments which could enhance their ability to cope with the major changes evolving in the UK energy market.

Ryan, which claims to be the largest independent UK coal group in open-cast mining, coal recovery and trading, on Wednesday recommended a merger with Carless, the independent UK oil and gas explorer with a significant stake in Wytch Farm, Europe's biggest onshore oilfield.

One day previously, NSM, another leading open-cast coal contractor, said it would pay £82.5m for Bison, a market leader in floor units for the building industry.

A straightforward diversification for NSM, it could strengthen its competitive capacity to bid for more and bigger open-cast mining opportunities should the Government carry out its promise to liberalise the coal industry ahead of outright privatisation of British Coal.

The partners in the Ryan-Carless tie-up claimed to have more in common with each other. As specialists in different aspects of energy, both stressed their interests in the forthcoming privatisation of the electricity industry and the prospects for generating power from their own fuel resources.

Carless has already been in contact with the electricity authorities about the sales prospects for electricity produced from surplus gas at its Humbly Grove oilfield in Hampshire and will be alert to similar possibilities at Wytch Farm, where it is a member of the British Petroleum-led consortium.

Well before the Government unveiled its plans to privatise the electricity industry, Ryan had tabled proposals to take over a defunct power station at Rogerstone, South Wales, where it planned to burn cheap reclaimed coal with efficient, new, environmentally clean equipment.

It is no longer the front-runner to take over Rogerstone, but has not yet lost interest in it. Simultaneously it is pursuing two other possible sites for private power production - in the older section of the Aberthaw power station, South Wales, and on the English east coast, where imported coal could be used.

Compared with his interest in private electricity production, Mr Hotson, Ryan's chief executive for 3½ years, appears far less excited by the proposed liberalisation of rules governing private coal-mining.

Although he would welcome the proposed increase in the sizes of licensed open-cast coal mining sites, he is far less interested in the proposal to lift the limits on the numbers of men allowed to work underground in private deep coal mines. This reflects his interest in operating small disused anthracite mines in west Wales, where the present limit of 30 men underground is adequate.

Brushing aside the surprised reaction of the City to the merger, Mr Ian Clubb, Carless chief executive, said that although tie-ups between small oil and coal companies were uncommon in the UK, they were regarded as normal in the US and other countries.

Nevertheless, he failed to see any significant similarity with another recent oil/coal merger between small UK energy companies, in which Floyd Oil bought the coal interests of Hampton Goldmining Areas, and changed its name to Floyd Energy.

Besides their common energy interests, Carless and Ryan said they are attracted to one another by their "identical philosophy" of concentrating on specialist niches in the market, where they were less vulnerable to major operators. "We at Carless have been doing what Mr Hotson has been doing in coal," said Mr Clubb.

One of Ryan's latest successes is the award, to its David Crouch subsidiary, of a major open-cast coal mining contract at Dalquandie, in Scotland's Douglas Basin, involving a £9m investment by the Ryan group.

Mr Hotson denied analysts' suggestion that this investment, and the highly competitive bid which secured the contract, had prompted it to open merger talks with Carless. Mr Clubb nevertheless emphasised that future Ryan investments would be adequately covered under the new regime.

The Dalquandie contract, said Mr Hotson, gave Ryan 42 per cent of Britain's open-cast coal reserves currently under contract. It would earn £11 a tonne from British Coal, which owns the site, and which will then sell it for £44 a tonne to power stations. Nevertheless, it would give Ryan an "adequate return", he said.

Another Ryan prospect is a joint venture in a Canadian anthracite mine, which would import anthracite into the UK where it is in short supply. But that was still only a gleam in Mr Hotson's eye, said Mr Clubb.

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FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	THURSDAY SEPTEMBER 8 1988: US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	WEDNESDAY SEPTEMBER 7 1988: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1988 High	1988 Low	Year ago (approx)
Australia (86)	142.20	-0.1	124.27	117.61	3.97	142.39	123.60	118.10	152.31	91.16	167.98
Austria (16)	87.62	+0.1	76.57	84.13	2.49	87.52	75.97	83.82	98.18	83.72	97.75
Belgium (63)	114.85	+0.4	100.37	111.17	4.54	114.40	99.30	110.73	139.89	99.14	125.78
Canada (126)	117.35	-0.4	102.55	105.28	3.28	117.80	102.26	105.73	128.91	107.06	134.69
Denmark (39)	122.86	+0.0	107.36	118.85	2.50	122.80	106.59	118.58	132.72	111.42	118.07
Finland (26)	115.86	+0.7	101.25	106.69	1.61	115.04	99.86	105.60	139.53	106.78	—
France (128)	91.91	-0.3	80.32	90.76	3.57	92.18	80.02	90.81	99.62	72.77	114.99
West Germany (100)	76.46	+0.0	66.82	73.50	2.52	76.49	66.39	73.29	80.79	67.78	102.22
Hong Kong (46)	102.46	-0.7	89.54	102.71	4.74	103.18	89.57	103.43	111.86	84.90	144.32
Ireland (18)	133.19	-0.2	116.40	129.52	3.66	133.40	115.79	129.54	144.25	104.60	141.49
Italy (100)	70.06	-1.1	61.23	72.47	2.77	70.84	61.49	72.89	81.74	62.99	87.04
Japan (456)	159.09	+0.4	139.03	134.60	0.54	158.52	137.60	133.92	177.27	133.61	143.28
Malaysia (36)	139.03	+0.3	121.50	141.73	2.75	138.62	120.33	141.48	154.17	107.83	178.69
Mexico (13)	147.35	+1.5	128.77	368.29	1.48	145.18	126.02	362.86	180.07	90.07	422.59
Netherland (38)	102.05	-0.4	89.18	97.16	4.73	102.45	88.93	97.30	110.66	95.23	126.37
New Zealand (20)	72.90	-1.0	63.71	62.39	6.00	73.66	63.93	62.88	84.05	64.42	129.62
Norway (25)	108.14	-1.0	94.50	101.16	2.96	109.19	94.78	101.70	132.23	98.55	178.53
Singapore (26)	122.41	+0.5	106.97	115.08	2.38	121.76	105.69	114.36	135.89	97.99	171.59
South Africa (60)	108.71	-0.2	95.00	87.20	4.94	108.88	94.51	86.54	139.07	105.83	184.60
Spain (43)	139.14	-0.4	121.59	130.34	3.47	139.69	121.26	130.80	164.47	130.73	157.60
Sweden (35)	114.67	-0.1	100.21	108.85	2.62	114.74	99.60	108.67	125.50	96.92	130.91
Switzerland (55)	74.93	-0.4	65.48	72.61	2.36	75.24	65.31	72.51	86.75	74.13	108.18
United Kingdom (323)	122.96	-1.8	107.46	107.46	4.74	125.15	108.63	108.63	141.18	120.66	152.07
USA (580)	108.67	+0.0	94.97	108.67	3.66	108.63	94.30	108.63	112.47	99.19	129.52
Europe (1009)	101.09	-1.0	88.34	93.61	3.90	102.07	88.60	94.08	110.82	97.01	126.19
Pacific Basin (670)	156.14	+0.3	136.46	132.59	0.75	155.64	135.10	131.99	172.26	130.81	144.27
Euro-Pacific (1679)	134.13	-0.1	117.22	117.07	1.71	134.23	116.51	116.88	147.53	120.36	137.10
North America (706)	109.12	+0.0	95.36	108.48	3.64	109.11	94.71	108.47	113.29	99.78	129.80
Europe Ex. UK (686)	87.40	-0.3	76.38	85.13	3.19	87.66	76.09	85.13	92.99	80.27	110.13
Pacific Ex. Japan (214)	120.67	-0.3	105.46	107.32	4.20	121.04	105.07	107.80	128.27	87.51	156.41
World Ex. US (1878)	133.31	-0.1	116.50	116.48	1.78	133.42	115.81	116.31	146.49	120.26	137.71
World Ex. UK (2135)	123.81	+0.1	108.20	114.41	2.18	123.65	107.33	114.15	131.77	111.77	132.77
World Ex. So. Af. (2398)	123.81	+0.0	108.20	113.93	2.39	123.86	107.51	113.81	132.39	113.26	134.16
World Ex. Japan (2002)	106.77	-0.3	93.31	103.17	3.76	107.13	92.99	103.35	112.43	100.00	130.30
The World Index (2458)	123.72	+0.0	108.12	113.75	2.40	123.77	107.43	113.62	132.38	113.37	134.49

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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Latest prices were unavailable for this edition.

ECONOMIC DIARY

TODAY: Yugoslav air traffic controllers plan strike over pay and alleged mismanagement.
TOMORROW: Sir Geoffrey Howe, Foreign Secretary, begins tour of East Africa with two-day visit to Kenya.
MONDAY: Retail sales (August-provisional). Producer price index (August-provisional). BIS meeting in Basle. European Parliament meets in Strasbourg. Ruling Socialist Party (BSPP) holds emergency congress in Rangoon to decide on referendum on scrapping 28 years of one-party rule. A specially convened meeting of the Anglo-Irish conference is expected to take place in Dublin, when Irish and British ministers will discuss the recent escalation of violence in Northern Ireland. Nissan Motor is expected to announce a joint venture with a US manufacturer. Engineering unions launch campaign for 35-hour week at Imperial Hotel, London WC1. The Economist holds conference "1992 — The implications for marketing, advertising and the media" at the Marriott Hotel, London.
TUESDAY: International banking statistics (second quarter). Scottish TUC poll tax "day of action". US current account (second quarter) and balance of payments. The Delors committee of the BIS meets to discuss EMS. Finnish budget. Mr Yasser Arafat, PLO chairman, visits European Parliament in Strasbourg (until September 14). Dr Eddie Fenech Adami, Premier of Malta, visits London (until September 17).
WEDNESDAY: Index of output of the production industries (July). US merchandise trade figures (July). Scottish National Party annual conference in Inverness (until September 17).
THURSDAY: UK balance of payments (second quarter). Capital expenditure by the manufacturing and service industries (second quarter-revised). Provisional figures for vehicle production (August). Labour market statistics: unemployment and vacancies (August-provisional); average earnings indices (July-provisional); employment, hours, productivity and unit wage costs; industrial disputes. US retail sales figures (August). Mr George Vassiliou, President of Cyprus, and Mr Rauf Denktash, President of the self-declared Turkish Republic of North Cyprus, start substantive talks on reuniting the divided island.
FRIDAY: Usable steel production (August). Public sector borrowing requirement (August). Tax and price index (August). Retail prices index (August). European Community economics ministers meet in Alunda, Crete (until September 17).

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Friday September 9 1988: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Thu Sep 8 Index No.	Wed Sep 7 Index No.	Tue Sep 6 Index No.	Year ago (approx) Index No.	1988 High	1988 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (210)	752.44	-0.3	10.93	4.31	11.32	17.69	754.97	767.18	769.94	954.04	826.39 8/8	706.80 8/2	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (29)	943.83	+0.4	12.34	4.55	9.91	21.96	939.79	965.88	968.38	1179.98	1058.18 5/8	937.68 8/2	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (37)	1514.39	-0.7	11.37	3.67	11.46	29.01	1524.76	1556.66	1557.28	1746.79	1626.89 8/8	1385.83 4/1	1951.50 16/7/87	71.48 2/12/74
4	Electricals (12)	2068.21	-0.7	9.73	4.94	12.57	53.78	2083.29	2103.46	2109.78	2454.79	2241.96 5/8	1946.87 6/4	2733.45 20/7/87	84.71 25/6/62
5	Electronics (29)	1624.94	-0.4	10.88	3.78	11.84	40.42	1632.01	1658.74	1675.29	2014.72	1798.32 8/8	1423.66 9/2	2236.70 17/7/87	1229.01 8/10/85
6	Mechanical Engineering (58)	398.25	-0.4	10.19	4.38	12.14	9.39	399.92	404.98	406.20	512.37	437.20 8/8	367.20 8/2	544.57 14/10/87	45.43 5/1/75
8	Metals and Metal Forming (7)	459.37	-0.7	10.59	4.21	11.68	7.95	462.70	463.49	462.85	568.93	509.92 14/7	424.40 19/2	596.67 9/10/87	49.65 6/1/75
9	Motors (15)	262.37	-0.8	12.49	5.05	9.22	7.06	264.40	267.23	268.00	384.63	295.13 10/3	259.47 1/9	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (23)	1241.93	-0.4	9.62	4.64	12.40	30.04	1247.01	1260.84	1260.30	1666.13	1350.59 4/8	1191.01 8/2	1736.80 22/9/87	277.55 15/1/81
21	CONSUMER GROUP (185)	1021.05	—	9.75	3.90	12.95	19.52	1021.10	1032.36	1038.59	1307.89	1118.61 8/8	996.55 8/2	1406.32 16/7/87	61.41 13/12/74
22	Brewers and Distillers (21)	1057.43	-0.6	11.05	3.85	11.41	20.86	1064.22	1079.26	1079.24	1176.05	1141.54 15/6	951.87 8/2	1269.35 16/7/87	69.47 13/12/74
25	Food Manufacturing (21)	905.43	—	9.76	4.12	13.07	17.99	904.99	922.43	929.87	1002.97	1016.66 1/8	883.48 6/4	1092.25 16/7/87	59.67 11/12/74
26	Food Retailing (16)	1854.69	-0.2	9.33	3.60	14.14	38.49	1857.51	1870.13	1892.01	2399.79	2179.42 10/3	1854.69 9/9	2649.96 16/7/87	54.25 11/12/74
27	Health and Household (12)	1801.31	+0.3	6.97	2.73	16.66	18.01	1796.13	1796.26	1803.12	2507.66	1927.94 10/3	1708.33 13/1	2699.85 16/7/87	175.38 28/5/80
29	Leisure (30)	1262.26	-0.9	9.77	4.05	13.13	29.54	1273.16	1294.58	1298.09	1385.33	1395.36 8/8	1142.19 4/1	1504.79 13/10/87	54.83 9/1/75
31	Packaging & Paper (17)	487.12	-0.8	10.74	4.39	11.94	10.47	490.99	504.23	511.30	668.55	540.80 8/8	473.11 6/4	739.48 16/7/87	43.46 6/1/75
32	Publishing & Printing (18)	3264.57	-0.5	9.06	4.68	13.77	73.53	3282.03	3308.67	3339.48	4632.85	3647.52 8/8	3264.57 9/9	5070.66 5/10/87	55.08 6/1/75
34	Stores (34)	735.54	+1.3	11.28	4.51	11.66	15.59	726.21	732.63	737.95	1068.82	859.85 28/1	726.21 8/9	1160.58 29/7/87	52.63 6/1/75
35	Textiles (16)	537.27	-0.6	12.86	5.08	9.12	12.69	540.49	551.11	555.48	838.48	620.72 27/4	537.09 1/9	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (93)	855.25	-0.5	11.72	4.65	10.41	28.21	859.55	868.96	871.50	1125.56	918.89 1/7	834.42 8/2	1192.48 8/10/87	58.63 6/1/75
41	Agencies (19)	1008.16	-1.9	8.99	2.75	14.06	18.11	1028.17	1043.39	1047.94	1693.32	1219.02 18/3	1008.16 9/9	1795.57 17/7/87	870.35 4/12/87
42	Chemicals (21)	1018.48	-0.2	12.55	4.99	9.56	35.79	1020.25	1029.95	1030.34	1453.26	1121.06 6/1	971.71 5/4	1545.46 5/10/87	71.20 1/12/74
43	Conglomerates (13)	1163.30	-1.0	11.00	4.66	10.49	24.52	1175.56	1184.26	1187.51	1426.41	1243.92 5/8	1095.37 4/1	1547.01 8/10/87	975.19 10/11/87
45	Shipping and Transport (12)	1806.51	-1.2	12.02	4.98	10.99	35.65	1828.82	1852.16	1860.78	2238.05	1992.59 23/3	1718.96 4/1	2497.85 16/7/87	90.80 29/6/62
47	Telephone Networks (2)	915.99	+0.2	12.13	4.86	10.70	20.38	914.46	922.35	927.62	1062.37	1011.82 1/7	880.24 12/1	1274.14 9/6/87	517.92 30/11/84
48	Miscellaneous (26)	1169.99	-0.2	12.03	4.63	9.47	24.75	1172.85	1193.06	1192.91	1685.21	1217.48 23/3	1096.28 19/5	1773.70 5/10/87	60.39 6/7/75
49	INDUSTRIAL GROUP (488)	918.05	-0.2	10.61	4.22	11.71	19.77	920.17	931.56	935.77	1181.24	998.43 8/8	887.00 8/2	1268.86 16/7/87	59.01 13/12/74
51	Oil & Gas (12)	1681.40	-0.4	11.28	6.44	11.35	64.62	1687.32	1708.74	1736.24	2209.64	1881.96 21/6	1681.40 9/9	2458.68 16/7/87	87.23 29/5/62
59	500 SHARE INDEX (500)	982.91	-0.2	10.70	4.53	11.66	23.54	985.34	996.94	1003.69	1268.57	1070.40 8/8	958.79 5/2	1369.88 16/7/87	63.49 13/12/74
61	FINANCIAL GROUP (122)	660.52	-0.3	–	5.31	–	21.00	662.65	668.14	671.58	825.19	720.68 14/6	630.02 8/2	896.67 13/10/87	55.88 13/12/74
62	Banks (8)	633.95	-0.3	22.58	6.89	5.94	30.77	635.79	640.17	641.51	820.12	696.53 21/7	610.26 7/4	898.38 16/7/87	62.44 12/12/74
65	Insurance (Life) (8)	998.13	+0.8	–	5.13	–	26.91	990.00	994.84	1008.39	1116.51	1090.17 1/8	938.43 9/2	1285.72 9/10/87	44.88 2/1/75
66	Insurance (Composite) (7)	512.84	-0.5	–	6.09	–	18.42	515.64	520.86	523.76	626.43	567.92 10/6	481.43 8/2	707.58 13/10/87	43.96 13/12/74
67	Insurance (Brokers) (7)	907.89	-1.7	10.59	7.01	12.20	32.03	923.49	940.47	957.59	1215.59	1022.51 27/6	823.41 6/4	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (11)	318.54	-0.3	–	4.50	–	7.09	319.59	325.13	327.30	483.71	378.23 9/6	318.54 9/9	547.59 12/10/87	31.21 7/1/75
69	Property (51)	1153.31	-0.5	5.75	2.80	22.30	16.08	1158.76	1168.41	1172.13	1292.68	1258.31 15/6	975.44 4/1	1374.86 16/7/87	56.01 20/4/65
70	Other Financial (30)	351.55	-0.9	11.04	5.56	11.39	10.24	354.74	357.08	357.76	560.24	401.37 22/3	351.55 9/9	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (78)	884.81	-0.9	–	3.18	–	14.93	892.47	896.86	896.86	1137.95	935.58 13/7	784.91 4/1	1207.90 5/10/87	71.12 13/12/74
81	Mining Finance (2)	513.03	-0.4	9.33	3.67	12.12	8.12	515.25	514.23	505.26	683.70	556.12 23/6	385.04 8/2	727.93 3/8/87	66.31 30/9/74
91	Overseas Traders (8)	1162.17	+1.3	9.90	4.81	11.87	35.31	1146.95	1148.57	1149.72	1221.92	1203.16 8/7	969.88 4/1	1364.12 13/10/87	97.37 6/1/75
99	ALL-SHARE INDEX (710)	901.25	-0.3	–	4.59	–	22.40	903.65	913.28	918.62	1155.64	978.58 8/8	870.19 8/2	1238.57 16/7/87	61.92 13/12/74

		Index No.	Day's Change	Day's High	Day's Low	Sep 8	Sep 7	Sep 6	Sep 5	Sep 2	Year ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
	FT-SE 100 SHARE INDEX ‡	1738.4	-1.4	1742.7	1717.7	1739.8	1756.1	1768.0	1764.5	1746.9	2261.2	1879.3 22/6	1694.5 8/2	2443.4 16/7/87	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Sep 9	Day's change %	Thu Sep 8	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	118.65	+0.08	118.56	–	8.43
2	5-15 years	133.98	+0.07	133.88	–	9.42
3	Over 15 years	144.07	-0.05	144.15	–	9.90
4	Irredeemables	163.10	+0.07	162.98	–	8.84
5	All stocks	132.65	+0.06	132.57	–	9.20
	Index-Linked					
6	5 years	126.01	+0.02	125.99	–	1.81
7	Over 5 years	119.11	+0.12	119.19	0.22	2.65
8	All stocks	119.51	+0.11	119.58	0.20	2.57
9	Debentures & Loans	115.50	-0.18	115.71	–	7.37
10	Preference	90.01	+0.08	89.94	–	3.74

	AVERAGE GROSS REDEMPTION YIELDS		Fri Sep 9	Thu Sep 8	Year ago (approx.)	1988 High	1988 Low
	British Government						
1	Low	5 years	10.15	10.15	9.67	10.18 2/9	8.38 18/4
2	Coupons	15 years	9.67	9.66	9.87	9.83 13/1	8.90 18/4
3		25 years	9.35	9.34	9.74	9.57 13/1	8.82 18/4
4	Medium	5 years	10.47	10.47	10.39	10.56 2/9	8.75 18/4
5	Coupons	15 years	9.91	9.90	10.15	10.01 13/1	9.12 15/3
6		25 years	9.61	9.60	9.92	9.79 13/1	8.99 14/3
7	High	5 years	10.62	10.62	10.49	10.70 2/9	8.84 18/4
8	Coupons	15 years	10.04	10.04	10.32	10.16 13/1	9.26 15/3
9		25 years	9.60	9.59	9.97	9.82 13/1	9.03 15/3
10	Irredeemables		9.31	9.31	9.99	10.09 2/9	8.65 18/4
	Index-Linked						
11	Inflation rate 5%	5yrs.	3.51	3.48	3.42	3.51 9/9	2.09 30/3
12	Inflation rate 5%	Over 5 yrs.	3.96	3.96	4.04	4.27 13/1	3.64 13/4
13	Inflation rate 10%	5yrs.	2.48	2.44	3.37	3.59 13/1	1.09 30/5
14	Inflation rate 10%	Over 5 yrs.	3.80	3.80	4.04	4.37 13/1	3.50 20/4
15	Debs &	5 years	11.45	11.41	11.39	11.51 2/9	10.16 24/5
16	Loans	15 years	11.29	11.25	11.39	11.31 2/9	10.51 19/4
17		25 years	11.18	11.16	11.39	11.21 2/9	10.51 19/4
18	Preference		10.86	10.87	10.84	10.84 4/1	9.54 22/6

‡Opening index 1718.5; 10 am 1728.1; 11 am 1733.0; Noon 1740.6; 1 pm 1742.0; 2 pm 1740.3; 3 pm 1742.0; 3.30 pm 1735.7; 4 pm 1735.7

CONSTITUENT CHANGES: CASE(5) has been deleted. Appleyard Group(9) has been inserted.

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p

EUROPEAN OPTIONS EXCHANGE

Series	Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 14,588

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

Bank	%	Bank	%	Bank	%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INTERNATIONAL COMPANIES AND FINANCE

Frenchmen form team to make a play for Donnay

By Tim Dickson in Brussels

THE CONTEST for Donnay, Belgium's bankrupt tennis racket manufacturer, yesterday took a new twist with the entry of a French doubles partnership in the form of Mr Bernard Tapie and Mr Jean-Jacques Frey.

The two French businessmen – hitherto the leaders of rival consortia bidding for the beleaguered sports group – sprang a surprise late on Thursday night by announcing that they had formed a new joint holding company to make the acquisition under the "guidance" of Banque Worms, the French bank.

No further details of their plans were supplied, except for a statement that the capital of the holding company would be divided equally between the two groups and that Donnay would be the first acquisition in the promotion and development of sports products.

The situation, however, remained extremely uncertain yesterday because of local legal and political complications surrounding the future of the Couvin-based company.

For example, the new alliance threw into doubt the position of the Walloon regional government and Mr Albert Frère, the leading Belgian businessman and head of Groupe Bruxelles Lambert, who had previously given their backing to the much-publicised plans of Mr Tapie.

It was the surprise rejection by the Donnay receiver of this group's bid on Wednesday in favour of the other Franco-Belgian team led by Mr Frey that prompted the two French businessmen to get together.

Most observers said last night that the outcome would be decided on Monday, when under Belgian law a tribunal will meet in the southern Belgian town of Dinant to consider the actions of the receiver.

In most cases the court simply confirms the receiver's agreement, but the expectation is that Mr Tapie and Mr Frey will argue that their new plan is in the interests of the many banking creditors and the company's 350-strong workforce.

A spokesman for the Socialist and Christian Unions at Donnay welcomed the new initiative, adding that "we don't want another De Benedetti type affair."

Monday's decision, however, may well depend on the attitude of the Walloon regional government whose spokesman confessed yesterday that he was bemused by the latest turn of events. He said there had been no formal contacts yesterday with Mr Tapie.

Donnay, which was declared bankrupt last month with liabilities of BFr1.4bn ($36.1m), became world famous in the late 1970s thanks to contracts signed with Bjorn Borg, the Swedish tennis star.

When he retired, however, the wooden rackets which he had promoted lost their market appeal and were replaced by metal and graphite models.

Donnay was late in moving into the composites market and while the company spent large sums on developing new products and diversifying it is widely seen as having suffered from poor marketing and a shortage of cash.

Roy Disney: raised offer

Shamrock sweetens bid for Polaroid

By Janet Bush in New York

SHAMROCK Holdings, the California-based company owned by Mr Roy Disney, yesterday sweetened its hostile bid for Polaroid, the photography group, with an offer valuing the company at $2.4bn.

Polaroid said it would consider the latest offer of $42 a share. This follows its rejection last month of a package of $40 a share plus 40 per cent of the proceeds from Polaroid's expected recovery in a patent infringement lawsuit against Eastman Kodak.

The new offer does not include a percentage from any settlement of the lawsuit.

The financing for the bid is being provided by Wertheim Schroder and Drexel Burnham Lambert, charged by the Securities and Exchange Commission earlier this week with insider trading and securities law violations.

A key condition of the latest Shamrock bid is that the anti-takeover measures adopted by Polaroid, which issued 9.7m shares into an employee stock ownership plan (Esop), are overturned in court. If they are not, Shamrock's offer would be reduced to $40 a share.

If the Esop were invalidated and Polaroid agreed to negotiate a merger, Shamrock's offer would rise to $44 a share. However, if the Esop remained in place and a merger were negotiated, then Shamrock's offer would be worth $42 a share.

Shamrock said it would only seek to purchase 90 per cent of Polaroid's common shares and then pay to remaining holders a percentage of any settlement of the Eastman Kodak suit.

Dutch banks in co-operation pact

By Laura Raun in Amsterdam

NMB AND Postbank, respectively the fourth and fifth biggest Dutch banks, are considering a plan to join forces in an attempt to bolster their standing in the increasingly competitive world of banking.

In a joint statement issued yesterday, the two said they were studying ways of co-operating commercially, financially and technologically. They stressed, however, that they would maintain their own identities in existing products and services for private and corporate clients.

The venture could be likened to the links forged by Amro Bank of the Netherlands and Générale Bank of Belgium in the run-up to the single European market of 1992.

Earlier this year, Amro and Générale exchanged share capital with the aim of fully merging in three years – combining activities abroad but staying separate in their home markets.

NMB and the state-owned Postbank, which are both medium-sized banks in global terms, would hope to benefit from an expanded financial base and market share.

Economies of scale would be sought in costly automation, payments clearing and new products and services. Postbank would expect to improve rapidly its efforts to diversify prior to its privatisation, planned for the spring of 1990.

The bank is the result of a merger of the National Savings Bank and Postal Giro System and in the past has operated mainly as a utility for payments clearing.

Postbank is now expanding its commercial services to companies, launching a credit card and pressing ahead with automation to wipe out chronic losses in payments transfers. Although it has invested heavily in electronic banking in recent years, such transactions remain in the red.

The link would give NMB access to relatively cheap money as savings deposits account for the bulk of Postbank's balance sheet. But some analysts question whether the two banks overlap too much.

Postbank commands an overwhelming presence in the retail market, counting half the population and 80 per cent of all companies as its clients. NMB leads the market in medium and small businesses.

Yesterday's announcement took few bank analysts by surprise.

Mr W.E. Scherpenhuijsen Rom, chairman of NMB, said last year that his bank was looking for partners. The two banks hope to conclude their feasibility study within several months, thereby determining exactly the form of co-operation.

One possibility is that Postbank will be partially sold to NMB and the rest floated on the Amsterdam stock market.

Yesterday, ABN, the biggest Dutch bank, said it too would continue to direct its business efforts towards a wider audience.

Equiticorp to sell off Feltrax

By Chris Sherwell in Sydney

EQUITICORP International, the master company in the business empire controlled by Mr Allan Hawkins, the New Zealand entrepreneur, is to sell its 80 per cent owned Feltrax International which has a stock market value of about NZ$748m (US$464.5m).

The unexpected move, effectively putting one its biggest assets up for sale, was announced from Hong Kong, the new location for Equiticorp's international office.

Mr Hawkins said the group had received a number of approaches from various parties interested in Feltrax, an industrial company, and had decided to review its investment.

He said Equiticorp had appointed Buttle Wilson, the New Zealand broking firm, in association with S.G. Warburg, the British investment bank, to conduct the review. Buttle Wilson was "pursuing discussions with a number of interested parties," Mr Hawkins said.

He added that any sale would reflect Feltrax's earnings growth and potential and acknowledged that a sale in excess of current market value and net tangible asset backing "would certainly reduce the gearing of Equiticorp to a more acceptable level."

Earlier this week, Feltrax reported a 32 per cent increase in equity-accounted earnings after extraordinary gains for the year to June and forecast a bright future.

Formerly known as Feltex International, it changed its name under the recent restructuring of Equiticorp. The reshape brought the building materials group Monier (now known as Amatek) under its wing, and 80 per cent of New Zealand Steel.

Equiticorp said at the time that the changes made Feltrax New Zealand's second-largest industrial company.

According to yesterday's announcement, Equiticorp's directors had not previously considered the sale of the Feltrax shareholding and were reacting to the level of interest shown in the company.

Australian Gas sheds stake in Paringa Mining

By Our Financial Staff

AUSTRALIAN Gas Light, which is controlled by Industrial Equity, the investment vehicle of Australian financier Sir Ron Brierley, has agreed to sell its 54 per cent shareholding in Paringa Mining and Exploration to Genoa Resources and Investment.

Paringa, a UK-based group which controls a near 50 per cent stake in North Flinders Mines, the Australian gold producer, is currently subject to a bid of A$1.68 a share, or A$138m (US$111.2m) in total, from Poseidon, the gold investment group headed by Australian entrepreneur Robert de Crespigny.

Genoa Resources is buying Australian Gas' shareholding in Paringa for A$3.10 a share. Australian Gas has received a deposit of 31 cents a share with the balance payable on completion of the sale. It said the sale price topped consolidated book value of the shares by A$19.2m.

Genoa Resources said its associate, Hartogen Energy, had an option to acquire the Paringa stake, which would strengthen the group's cash flow and enable it to expand its oil and gas exploration, development and production.

North Flinders has the right to mine in aboriginal territory, which is virtually unexplored.

Générale appoints strategist

By Our Belgian Staff

MR FRANÇOIS Quarre, a 45-year-old Frenchman formerly with Rhône-Poulenc, the French chemicals group, was yesterday appointed director of strategy at Société Générale de Belgique.

The post carries the key responsibility of helping map the plans of Belgium's biggest holding company following the peace agreement cemented this week between Mr Carlo De Benedetti and the leading shareholder camp led by Compagnie Financière de Suez, the French investment bank.

Mr Quarre's appointment completes the reshape of the management team put together by Mr Herve De Carmoy, the company's new chief executive, following La Générale's management shake-up.

Bekaert first-half earnings up 39%

By William Dawkins in Brussels

BEKAERT, THE Belgian steel wire and cord producer in the throes of restructuring, yesterday announced an upturn in first-half profits and predicted a favourable outcome for the second six months.

The group's consolidated net profits rose by 39 per cent, or BFr610m, to BFr1.54bn ($39.8m) against BFr1.54bn in the first half of 1986.

Within that, NV Bekaert, the parent company which embraces the Belgian operations of the internationally diversified group, reported a rise in net profits from BFr891m to BFr1.05bn on turnover up 16.5 per cent, from BFr13.94bn to BFr16.24bn.

The parent company's net profit margins rose slightly to just over 6.4 per cent.

Bekaert said sales and profits had been helped by the buoyancy of car registrations in Europe, where the group supplies steel cord for strengthening rubber tyres.

Turnover rose 8.7 per cent in the steel wire side, while sales in the steel cord product division rose by 18.7 per cent. There was also a small currency translation gain following an improvement in the dollar's value over the period.

The company said better operating conditions and a favourable trading environment had contributed worldwide to the improvement.

It added that the impact of last year's plans to reduce the Belgian workforce by 25 per cent and to decentralise much of the company's production had yet to make itself felt on the financial performance.

Big demand in Yaohan HK flotation

By Michael Marray in Hong Kong

THE FLOTATION on the territory's stock market of Yaohan Hongkong, the Japanese department store operator, has met with an enthusiastic response from investors. The offer of 75m shares at HK$1 each was 65.6 times subscribed.

Yaohan announced yesterday that it had received nearly 7,000 applications, worth HK$4.67bn (US$598.7m), for shares in the company, which operates two large department stores in the colony.

Yaohan is the second Japanese company to be listed locally, the first being Kumagai Gumi, the construction company, which floated its local subsidiary in May 1987.

Massive over-subscriptions for new share issues have long been a feature of the local stock market, and the interest earned on cheques deposited prior to refunds being posted to unsuccessful applicants has often proved to be a lucrative bonus for companies coming to the market.

In April, C.P. Pokphand, the Thai agri-industrial group, had a HK$109.5m share offer subscribed 282 times, while in June a HK$82m offer from Tomei Industrial, a consumer electronics firm, was 308 times subscribed.

Dealing in Yaohan Hongkong shares is expected to commence on September 22.

WORLD COMMODITIES PRICES

Week in the Markets

COCOA PRICES slumped to the lowest levels for 12½ years this week as lack of progress at the International Cocoa Organisation (ICCO) meeting in London confirmed the market's worst fears about the pact's inability to resume its price-supporting role. The December position on the London futures market ended the week £40 down at £785 a tonne.

The two-week ICCO meeting reached its half-way point yesterday with no visible progress having been made on the crucial question of the target range for the ICCO's price defence mechanism or on the problem of mounting arrears in levy payments by some exporting members.

Support buying has been suspended since the organisation's buffer stock reached its 250,000-tonne limit in February, and the possibility of implementing a 120,000-tonne withholding scheme as a second line of defence is being blocked by the dispute between producers and consumers over what price level should be defended. To make matters worse, the levy arrears, which are on course to reach $70m by the end of this month, mean that the ICCO, which cannot borrow money, may soon be forced to sell off some of its existing buffer stock to finance maintenance of the rest.

With solutions to these problems seeming as far away as ever, the first few days of this week's meeting were accompanied by a continued slide in futures prices, until they were boosted by a technically-inspired rally on Thursday.

But that rally triggered another bearish development in the form of keen producer selling. Most damaging to the market were reports of Ivory Coast selling at prices well below those on which it had previously been insisting.

The Ivory Coast's sales-policy had been one of the few factors supporting the cocoa market in recent months, so its apparent decision this week to lower its sights on prices came as a considerable blow, especially at a time when the ICCO was trying to pick up the pieces of its price support policy.

The Ivory Coast, the world's biggest producer of cocoa, had already indicated a less than wholehearted commitment to the pact, however. Shortly before the latest round of talks started Mr Felix Houphouet Boigny, the country's president, warned that it might stay out of the ICCO when the present accord expires in 1990, and Mr Denis Bra Kanon, the Agriculture Minister, commented that the pact appeared to be "dying its own death."

In sharp contrast to cocoa, the coffee market, which has also been weighed down of late by the problems of its price-stabilising body, the International Coffee Organisation, put in its strongest performance for some time.

The chief factor behind coffee's rise, which lifted the November position on the London futures market by £66 to £1,101 a tonne, was concern about a protracted dry spell in Brazilian growing areas.

Some analysts were pointing out that, after four months with little or no rain, the point was approaching where flowering for the 1989-90 crop could be seriously affected. But others seemed less concerned. "It never rains in Brazil in August and early September," commented one.

On the London Metal Exchange the main feature of the week was nickel's downward break from its recent trading range.

In the absence of any significant fundamental explanation dealers said cash nickel's $1,800 fall on Thursday was an "overdue correction," triggered by signs that the market was starting to emerge from the extreme supply tightness which caused prices to quadruple earlier in the year.

The cash nickel price rallied $400 yesterday, but still ended $1,525 down on the week at $11,700 a tonne.

Copper prices also rallied yesterday, wiping out earlier modest falls, in response to news news that Asarco of the US had declared force majeure on October shipments to European customers. The cash position ended at £1,409 a tonne.

Richard Mooney

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	High 1988	Low 1988
Gold per troy oz.	$429.25	+1.00	$459	$485.5	$425
Silver Per troy oz	390.15p	-2.95	474.55p	457.75p	338.75p
Aluminium 99.7% (cash)	$2360	-165	$1695	$4205	$1915
Copper Grade A (cash)	£1409.0	+16.5	£1065	£1657.5	£1129.5
Lead(cash)	£357	-2	£412.5	£402.5	£328
Nickel (cash)	$11700	-1525	£3180	$22200	£4022.5
Zinc (cash)	$1328.5	-28	£457.5	$1475	$850
Tin (cash)	£4402.5	-137.5	£4155	£4540	£3825
Cocoa Futures (Dec)	£785	-40	£1198.5	£1182	£785
Coffee Futures (Nov)	£1101	+66	£1321.5	£1317	£922
Sugar (LDP Raw)	$260.2	-13.8	$157.6	$372	$213.6
Barley Futures (Nov)	£106.75	+1.25	£100.6	£109.85	£97.25
Wheat Futures (Nov)	£111.10	+0.15	£106	£115	£103.35
Cotton Outlook A Index	57.10	+0.95	82.35c	75.3c	64.9c
Wool (645 Super)	630p		490p	673p	484p
Rubber (Spot)	69.5p	-1.0	70p	88p	61.25p
Oil (Brent Blend)	$13.50q	-0.55	$18.175	$17.525	$13.205

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb q-Oct.

SPOT MARKETS

Crude oil (per barrel FOB September)		+ or -
Dubai	$11.60-1.65q	-0.06
Brent Blend	$13.48-3.52q	-0.02
W.T.I. (1 pm est)	$14.35-4.38q	-0.01

Oil products (NWE prompt delivery per tonne CIF)

		+ or -
Premium Gasoline	$168-171	
Gas Oil	$121-122	
Heavy Fuel Oil	$63-64	+1
Naphtha	$128-130	

Petroleum Argus Estimates

Other		+ or -
Gold (per troy oz)♣	$429.25	+1.00
Silver (per troy oz)♣	655c	-4
Platinum (per troy oz)	$539.30	+7.55
Palladium (per troy oz)	$123.75	
Aluminium (free market)	$2465	-60
Copper (US Producer)	109⅝-111c	
Lead (US Producer)	38c	
Nickel (free market)	520c	-60
Tin (European free market)	£4402.5	-2.5
Tin (Kuala Lumpur market)	19.55r	-0.16
Tin (New York)	345.5c	-5.0
Zinc (Euro. Prod. Price)	$1312.50	
Zinc (US Prime Western)	65⅝c	
Cattle (live weight)†	112.56p	-0.15*
Sheep (dead weight)†	184.29p	+0.21*
Pigs (live weight)†	70.23p	+0.76*
London daily sugar (raw)	$260.2s	+2.8
London daily sugar (white)	$263.5s	+1.0
Tate and Lyle export price	£262.0	+1.5
Barley (English feed)	£112v	
Maize (US No. 3 yellow)	£128.5v	
Wheat (US Dark Northern)	£122.75	-0.50
Rubber (spot)♥	69.50p	+0.25
Rubber (Oct)♥	76.00p	+0.25
Rubber (Nov)♥	76.50p	+0.25
Rubber (KL RSS No 1 Oct)	327.5m	-1.0
Coconut oil (Philippines)§	$365s	
Palm Oil (Malaysian)§	$432.5s	
Copra (Philippines)§	$385	
Soyabeans (US)	$215.0	+0.5
Cotton "A" index	57.10c	
Wooltops (64s Super)	630p	+3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Oct. s-Sep/Oct. w-Oct/Nov. v-Oct/Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Sep	845	859	853 840
Dec	785	807	816 778
Mar	772	789	796 766
May	782	797	801 772
Jul	793	808	800 783
Sep	808	822	815 799
Dec	847	885	856 838

Turnover: 6378 (7030) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 8: 982.90 (959.78) :10 day average for Sep 9: 1011.30 (1019.61) .

COFFEE £/tonne

	Close	Previous	High/Low
Sep	1110	1112	1115 1095
Nov	1101	1101	1101 1085
Jan	1090	1090	1097 1073
Mar	1072	1073	1072 1054
May	1067	1072	1064 1052
Jly	1053	1074	1060 1059
Sep	1070	1070	1060

Turnover: 2841 (5331) lots of 5 tonnes
ICCO indicator prices (US cents per pound) for Sep 8: Comp. daily 114.97 (115.01); . 15 day average 110.58 (110.01).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Oct	228.60	229.80	230.60 228.00
Dec	237.00	238.00	232.00
Mar	227.40	230.00	230.80 226.00
May	223.00	225.40	225.00 222.40
Aug	221.60	223.00	220.00
Oct	221.00	222.00	220.00

White	Close	Previous	High/Low
Oct	256.00	257.00	261.00 253.00
Dec	249.50	251.50	251.50 251.00
Mar	251.50	253.00	253.00 248.50
May	252.00	254.00	254.00 251.00
Aug	252.00	254.00	254.50 252.00

Turnover: Raw 2929 (3676) lots of 50 tonnes. White 723 (1767) .
Paris- White (FFr per tonne): Oct 1615, Dec 1575, Mar 1570, May 1570, Aug 1580 Oct 1585

POTATOES £/tonne

	Close	Previous	High/Low
Nov	62.5	60.1	62.6 61.0
Feb	71.5	69.9	
Apr	98.1	94.2	97.0 94.5
May	106.5	104.2	106.5

Turnover 158 (133) lots of 40 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 1,525 tonne
Cash	2350-70	2510-20		2460-70		
3 months	2360-80	2465-75		1440-60	2380-80	9,401 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 27,650 tonne
Cash	1380-5	1468-82	1483	1433-5		
3 months	1360-2	1409-11	1425/1348	1396-7	1357-8	43,420 lots
Copper, Grade A (£ per tonne)						Ring turnover 32,550 tonne
Cash	1408-10	1380-2	1398/1396	1387-8		
3 months	1377-8	1351-2	1385/1385	1365-6	1376-7	63,291 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1335-45	1310-20		1325-35		
3 months	1335-45	1305-15		1325-35		35 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	654-6	654-6		659-61		
3 months	667-9	667-9		672-4		444 lots
Lead (£ per tonne)						Ring turnover 4,325 tonne
Cash	356-8	354.5-5.5	356/355	355-5.5		
3 months	363-4	361-1.5	363/361	361-2	363-5	10,681 lots
Nickel ($ per tonne)						Ring turnover 1,224 tonne
Cash	11600-800	11250-350		11170-200		
3 months	11050-100	10800-800	11100/10600	10700-50	11100-200	6,573 lots
Zinc ($ per tonne)						Ring turnover 8,550 tonne
Cash	1327-30	1315-25	1310/1309	1309-10		
3 months	1314-6	1302-6	1325/1290	1299-300	1310-2	20,718 lots

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
2300	155	183	82	143
2450	85	120	160	225
2600	42	75	265	328
Copper (Grade A)	**Calls**		**Puts**	
2200	187	158	48	110
2300	127	113	86	162
2400	81	78	139	224

GAS OIL $/tonne

	Close	Previous	High/Low
Oct	123.25	123.00	124.50 122.50
Nov	125.00	124.50	125.75 124.50
Dec	127.00	128.50	127.75 126.50
Jan	126.75	126.00	127.25 125.50
Feb	125.25	123.50	126.00 124.25
Mar	124.00	121.00	123.25 123.25
Apr	122.00	120.00	121.75 121.25
May	122.00	121.00	121.50

Turnover 5433 (8836) lots of 100 tonnes

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Oct	177.00	178.40	180.50 178.00
Dec	186.00	188.70	189.50 187.00
Feb	192.00	193.00	195.00 192.00
Apr	192.00	193.00	195.00
Jun	181.00	182.00	

Turnover 260 (208) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Sep	1343	1344	1343 1335
Oct	1459	1466	1460 1451
Jan	1509	1514	1510 1505
Apr	1550	1551	1550 1545
Jul	1384	1378	1384
BFI	1282	1283	

Turnover 234 (275)

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	429-429½	252½-253
Opening	427¼-427¾	251½-252
Morning fix	428.9	252.443
Afternoon fix	429.4	252.782
Day's high	429½-430	
Day's low	427-427½	

Coins	$ price	£ equivalent
Mapleleaf	440-445	259-262
Britannia	440-445	259-262
US Eagle	440-445	259-262
Angel	439-444	258⅝-261⅝
Krugerrand	427-430	251-253
New Sov.	100½-101½	58-59¾
Old Sov.	100½-102	59-60
Noble Plat	551.05-57.45	323.85-327.8

Silver fix	p/fine oz	US cts equiv
Spot	390.15	663.25
3 months	401.85	677.10
6 months	414.40	692.60
12 months	438.45	723.10

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Sep	108.75	108.95	109.00 108.70
Nov	111.10	111.30	111.35 111.00
Jan	113.60	113.90	113.90 113.60
Mar	115.90	116.20	116.20 115.90
May	118.90	119.10	119.00 118.70
Jun	120.00	120.60	120.00

Barley	Close	Previous	High/Low
Sep	103.50	103.50	103.50 103.50
Nov	106.75	106.50	106.75 106.20
Jan	109.45	109.30	109.45 109.20
Mar	111.35	111.45	111.45 111.35
May	113.25	113.10	113.25 113.10

Turnover: Wheat 251 (468) , Barley 91 (224) .
Turnover lots of 100 tonnes.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	421.2	428.6	0	0
Oct	423.1	430.6	432.0	422.0
Nov	425.8	433.5	0	0
Dec	428.5	436.3	437.7	427.5
Feb	434.3	442.2	443.0	433.0
Apr	439.9	447.9	448.4	439.0
Jun	445.6	453.7	453.0	445.0
Aug	451.6	459.8	0	0
Oct	457.6	465.9	458.0	458.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	525.8	537.6	543.0	522.1
Jan	530.3	541.8	547.5	527.0
Apr	535.8	547.0	551.0	531.0
Jul	542.3	553.5	554.0	554.0
Oct	548.8	560.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	644.0	661.2	664.0	646.0
Oct	647.9	665.2	0	0
Nov	652.5	669.9	0	0
Dec	657.0	674.5	678.0	658.0
Jan	662.1	679.7	0	0
Mar	672.4	690.2	693.5	672.0
May	683.0	701.1	0	0
Jul	693.9	712.3	711.0	695.0
Sep	704.8	723.5	716.5	713.5
Dec	721.6	740.8	745.0	720.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	105.05	103.20	105.70	104.00
Oct	104.10	102.40	0	0
Nov	102.75	101.25	0	0
Dec	101.35	100.10	102.20	100.70
Jan	99.45	198.25	0	0
Mar	95.70	94.50	96.30	95.20
May	93.05	91.75	93.70	93.30
Jul	90.85	89.65	90.80	90.00
Sep	88.95	87.75	0	0
Dec	86.95	85.65	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	14.26	14.48	14.57	14.19
Nov	14.13	14.45	14.63	14.06
Dec	14.13	14.46	14.62	14.10
Jan	14.20	14.52	14.63	14.12
Feb	14.30	14.58	14.68	14.25
Mar	14.30	14.64	14.73	14.26
Apr	14.55	14.70	14.81	14.55
May	14.40	14.76	14.86	14.55
Jun	14.77	14.82	14.90	14.77
Jul	14.70	14.88	14.97	14.70

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	4095	4187	4220	4095
Nov	4155	4250	4290	4155
Dec	4230	4317	4355	4230
Jan	4280	4379	4400	4280
Feb	4245	4342	4365	4245
Mar	4150	4202	4225	4150
Apr	4060	4082	4100	4060
May	3960	4002	4030	3960
Jun	3920	3962	3980	3920
Jul	3920	3947	3980	3950

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1196	1218	0	0
Dec	1214	1237	1223	1193
Mar	1196	1223	1208	1186
May	1205	1232	1216	1205
Jul	1231	1252	1236	1220
Sep	1253	1275	1256	1250
Dec	1291	1311	1300	1288

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	130.00	128.70	130.00	128.00
Dec	130.30	128.81	131.90	129.50
Mar	128.25	127.96	129.90	127.75
May	128.25	127.26	128.90	127.00
Jul	128.00	127.00	128.50	128.25
Sep	127.00	126.80	127.25	126.80
Dec	126.00	125.18	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.96	10.01	10.01	9.81
Jan	9.55	9.73	9.90	9.75
Mar	10.01	10.10	10.12	9.81
May	9.79	9.87	9.90	9.70
Jul	9.72	9.75	9.78	9.63
Oct	9.56	9.58	9.65	9.50
Jan	9.06	9.06	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	54.85	54.40	55.30	54.45
Dec	53.20	52.63	53.55	52.78
Mar	53.20	52.70	53.80	52.80
May	53.40	53.00	53.60	53.25
Jul	53.60	53.35	54.00	53.60
Oct	54.30	54.06	54.31	54.30
Dec	54.75	54.41	54.85	54.40

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	191.95	193.80	194.45	191.90
Nov	181.50	184.60	184.00	181.10
Jan	169.60	172.15	171.60	169.50
Mar	167.00	169.30	169.00	167.00
May	166.05	168.30	167.40	166.20
Jul	165.05	167.30	0	0
Sep	165.05	166.30	0	0
Nov	165.05	166.30	0	0
Jan	165.05	166.30	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	285/6	290/4	289/4	285/2
Dec	298/4	302/0	301/2	298/2
Mar	304/4	307/6	306/4	304/2
May	307/0	309/6	309/0	306/4
Jul	304/2	307/2	306/4	304/0
Sep	283/0	285/4	284/0	282/4
Dec	271/2	273/0	272/6	270/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	400/0	406/4	406/0	399/4
Dec	415/6	423/0	422/0	415/2
Mar	419/4	426/6	425/4	419/4
May	400/0	404/0	405/0	400/0
Jul	370/4	373/4	374/0	370/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	69.60	70.90	70.65	69.52
Dec	70.95	72.02	71.85	70.90
Feb	72.10	73.06	72.90	72.05
Apr	73.65	74.57	74.40	73.60
Jun	72.85	73.65	73.60	72.80
Aug	70.25	70.90	71.00	70.25
Sep	70.50	71.25	71.00	70.50
Oct	70.10	70.97	70.75	70.10

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	37.92	38.10	38.45	37.77
Dec	39.55	39.80	40.10	39.15
Feb	42.35	42.50	42.82	42.20
Apr	42.12	42.37	42.55	42.05
Jun	47.10	47.15	47.52	47.10
Jul	47.80	47.95	48.00	47.80
Aug	46.80	46.77	47.20	46.55
Oct	44.80	44.92	44.97	44.55

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	877/4	880/4	887/0	872/0
Nov	891/4	905/4	903/0	884/0
Jan	902/4	915/4	912/4	895/0
Mar	906/0	920/6	918/0	900/0
May	897/0	912/0	908/0	893/0
Jul	887/4	903/4	898/0	882/0
Aug	868/0	881/4	874/0	866/0
Sep	798/0	810/2	808/0	798/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	26.50	26.70	26.60	26.20
Oct	26.62	26.86	26.75	26.39
Dec	27.01	27.36	27.28	26.90
Jan	27.27	27.62	27.55	27.15
Mar	27.67	28.00	27.95	27.63
May	27.85	28.15	28.05	27.80
Jul	27.85	27.90	28.05	27.65
Aug	27.05	27.50	27.50	27.05

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	277.7	281.5	280.0	275.2
Oct	276.7	280.0	279.8	274.0
Dec	277.1	280.1	280.0	275.0
Jan	275.5	278.2	278.5	274.5
Mar	273.7	274.7	275.5	271.5
May	267.5	268.5	270.0	265.0
Jul	262.5	264.0	265.0	261.0
Aug	253.0	254.0	256.0	252.0

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	47.30	47.07	47.45	46.75
Mar	47.47	47.65	47.85	47.30
May	48.42	48.30	49.55	48.95
Jul	50.17	50.20	50.55	49.95
Aug	48.52	48.27	49.10	48.52

INDICES

REUTERS (Base: September 18 1931 = 100)

Sept 8	Sept 7	mnth ago	yr ago
1874.0	1873.7	1880.4	1649.1

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	134.11	133.55	131.32	128.93
Futures	137.76	137.86	134.37	132.40

WORLD STOCK MARKETS

Wall Street

Dow drops as investors take profits

BLUE chips continued to be weighed down by profit-taking and futures-related selling at midsession yesterday. The market had been due for a correction following gains the previous Friday and on Tuesday.

The Dow Jones Industrial Average fell 11 to 2,052 in light volume.

However, demand had not vanished completely. "The technology sector is a sign there's still buying interest in the market," said Mr Charles Jensen, an analyst with MKI Securities. Among gaining technology issues were International Business Machines, Digital Equipment and Compaq Computer.

Canada

FALLING gold and base metal issues led a midsession decline in Toronto, as shares posted a broad loss in moderately active trading. The composite index shed 18 to 3,273.9 on turnover of 14.4m shares.

Among leading active stocks, Canadian Pacific dropped C$¼ to C$20¼, Alcan Aluminium was off C$¾ at C$36¼ and Laidlaw class B was unchanged at C$16⅛.

In the base metals sector, Inco dropped C$⅞ to C$33, Falconbridge slipped C$⅛ to C$20⅛, Cominco lost C$⅛ to C$18 and Hudson Bay Mining was off C$⅛ at C$8⅜.

Among golds, American Barrick lost C$½ to C$20¼, Hemlo Gold shed C$⅛ to C$13⅞ and Echo Bay fell C$⅛ to C$20⅞.

Tokyo

AN EARLY surge faded as Tokyo shares closed lower on profit-taking, following the emergence of caution before the release of the US producer prices data and uncertainty about the long-term direction of the yen.

The Nikkei average lost 93.01 to 27,647.10, after a 133-point rise in early trade. Turnover was 750m shares, against 850m on Thursday. Initial optimism had followed a stronger yen, low oil prices and prospects of steady interest rates.

Large-capital steels and shipbuilders held on to gains for most of the day and some companies with waterfront property benefited from the Tokyo Bay redevelopment theme.

Frankfurt

TURNOVER shrank and shares closed narrowly mixed in quiet trading. The real-time DAX index rose 1.26 to 1,186.61, while the FAZ lost 0.34 to 490.19.

RWE, the utility, gained DM5.80 to DM240.80 following a buy recommendation in a newsletter and renewed rumours that the company was about to reorganise its corporate structure.

Daimler, which said it would form a joint venture with Mitsubishi Motors to sell its trucks in Japan from next year, gained DM1 to DM671.

BMW fell DM1.50 to DM502 after rises earlier this week on speculation that the Quandt family planned to sell part of its stake.

Paris

A RALLY following the report of the US August producer price index was short-lived as Wall Street slipped, dragging French shares lower in thin volume. The CAC index lost 0.4 to 351.7.

Pernod, the drinks company, fell FFr12 to FFr1,009 in fairly heavy trading amid investor confusion and nervousness over the legal details of its agreed bid for Irish Distillers.

Amsterdam

EARLY gains were wiped out following the announcement of the US producer price index and a dip in the dollar, and shares ended mixed.

Trading in NMB shares was suspended at Thursday's closing price of Fl 194.50 as the bank announced a plan to study possible co-operation with the state-owned Postbank. Trading resumes on Monday.

The CBS all-share index rose 0.4 to 95.6.

Zurich

FAIRLY quiet trading left Swiss stocks lower, as the dollar fell slightly. The Crédit Suisse index lost 2.9 to 462.7.

Shares of smaller companies, which have risen recently on takeover speculation, fell sharply. Registered stock of Baloise Insurance lost BFr155 to BFr2,825.

Brussels

A MOSTLY higher trend was evident in Brussels, with isolated shares attracting strong activity.

Bekaert, steel wire and cord manufacturer, slipped BFr50 to BFr11,350 before announcing first half net profit up 39 per cent.

Milan

SLUGGISH trading left shares moderately higher, as the Comit index picked up 1.31 to 517.45. Banks and insurance listings drew investor interest, as did some telecommunication and publishing stocks.

Hong Kong

LACKLUSTRE, pre-weekend trading saw shares slip, with the Hang Seng index dropping 11.97 to 2,496.56. Turnover was sluggish at HK$390m, down from HK$481m.

Blue chips were mixed. China Gas led gains, rising 20 cents to HK$15.90 after announcing a 30 per cent increase in interim profits and an interim dividend of 17 cents.

Australia

CAUTIOUS trading left stocks lower in uneventful trading. The All Ordinaries index fell 10 to 1,545.5 in turnover of 101m shares worth A$195m.

Industrial stocks declined, with FAI Insurances off 20 cents at A$3.70, Pacific Dunlop 12 cents down at A$4.24 and Coles Myer falling 5 cents to A$10.45.

Singapore

THE WEAK close on Tokyo pushed Singapore broadly lower. Institutional investors and foreign fund managers were reluctant to open fresh positions because of the uncertain mood overseas.

The Straits Times industrial index shed 3.08 to 1,063.53 in volume of 18.5m shares, up from Thursday's 17.8m.

CURRENCIES AND MONEY

FOREIGN EXCHANGES

Dollar and pound steady

CURRENCY TRADING was steady and subdued ahead of the weekend, as dealers became reluctant to commit themselves ahead of next Wednesday's US trade figures for July.

A rise of 0.6 p.c. in August US producer prices announced yesterday was above expectations, but not enough to cause a significant movement in the market.

Analysis of the data did not indicate any strong inflationary pressure, or the need for the Federal Reserve to tighten its credit stance.

The dollar was little changed against European currencies, pushing against resistance at DM1.8500 against the D-Mark, while maintaining a soft tone against the yen.

The Bundesbank did not intervene in Frankfurt, when the dollar was fixed at DM1.8446, compared with DM1.8496 on Thursday.

At the London close the dollar had firmed to DM1.8500 from DM1.8490, but had eased to SFr1.5620 from SFr1.5630, to FFr6.2925 from FFr6.2950, and to Y133.60 from Y133.85.

On Bank of England figures, the dollar's exchange rate index fell to 99.0 from 99.1.

Sterling was little changed, and also traded quietly. A slight firming of oil prices provided underlying support, but market attention will turn towards other factors next week. Several UK economic figures will be released, giving guidance on whether UK inflation is becoming a problem.

At last night's close the pound was 5 points higher against the dollar, at $1.6970. Sterling also advanced to DM3.1400 from DM3.1375, but eased to SFr2.6500 from SFr2.6525; to FFr10.6775 from FFr10.6800; and to Y226.75 from Y227.00.

The pound's exchange rate index finished unchanged at 75.7.

£ IN NEW YORK

Sept.9	Latest	Previous Close
£ Spot	1.6965-1.6975	1.7000-1.7010
1 month	0.48-0.47pm	0.47-0.45pm
3 months	1.56-1.54pm	1.55-1.52pm
12 months	5.05-5.00pm	5.02-4.92pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

Sept.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6950-1.7040	1.6965-1.6975	0.48-0.45cpm	3.29	1.57-1.53pm	3.65
Canada	2.0985-2.1085	2.1050-2.1060	0.35-0.23cpm	1.65	1.04-0.87pm	1.81
Netherlands	3.53¼-3.54½	3.53¾-3.54½	1¾-1⅝cpm	5.93	5¼-5½pm	6.36
Belgium	65.55-66.00	65.70-65.80	27-19cpm	4.20	81-69pm	4.56
Denmark	12.02½-12.06¼	12.05¼-12.06¼	4¼-2¾orepm	3.17	11¼-10⅞pm	3.67
Ireland	1.1665-1.1725	1.1705-1.1715	0.40-0.35ppm	3.84	1.35-1.30pm	4.53
W. Germany	3.13-3.14¼	3.13¾-3.14¼	1⅞-1⅝pfpm	6.69	5¾-3⅝pm	5.89
Portugal	258.55-260.05	258.55-259.55	19-61cdis	-1.85	38-133dis	-1.32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

Sept.9	£	$
[illegible]	[illegible]	[illegible]
Kuwait	0.48400-0.48450	0.28510-0.28520
Luxembourg	65.70-65.80	38.70-38.80
Malaysia	4.4870-4.4980	2.6445-2.6465
Mexico	3872.00-3891.30	2281.00-2291.00
N Zealand	2.7115-2.7165	1.5975-1.6000
Saudi Ar.	6.3675-6.3730	3.7500-3.7510
Singapore	3.4545-3.4600	2.0345-2.0365
S Af (Cm)	4.0820-4.0930	2.4095-2.4110
S Af (Fn)	6.1775-6.2915	3.6365-3.7035
Taiwan	48.85-49.10	28.75-28.85
U.A.E.	6.2355-6.2415	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

Sept.9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	0.936	1.589	2.940	212.4	10.	2.481	3.315	2199	1.972	61.56
S Fr.	0.377	0.640	1.185	85.58	4.030	1	1.336	886.0	0.795	24.81
H Fl.	0.282	0.479	0.887	64.07	3.017	0.749	1	663.3	0.595	18.57
Lira	0.426	0.723	1.337	96.59	4.549	1.129	1.508	1000.	0.897	28.00
C $	0.475	0.806	1.491	107.7	5.071	1.258	1.681	1115	1	31.22
B Fr.	1.521	2.581	4.776	344.9	16.24	4.030	5.384	3571	3.203	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Slightly more relaxed

A SLIGHTLY more relaxed tone was seen in London's financial markets yesterday, as sterling held steady on the foreign exchanges.

The early tone to the markets was nervous, but as the pound performed reasonably well confidence improved, and interest rates tended to ease. Three-month interbank fell to 12$\frac{3}{16}$-12$\frac{1}{16}$ p.c. from 12¼-12⅛ p.c.

But although dealers were relieved that the pound held up well yesterday, there remains an underlying fear that the approaching round of economic data will result in renewed upward pressure on interest rates.

Next week sees publication of figures on UK retail sales; producer prices; industrial production; average earnings; unemployment and retail prices.

These may increase the market's concern about inflation, ahead of money supply, bank lending, and trade figures, later in the month.

The Bank of England initially forecast a flat money market credit position, but revised this to a shortage of £100m at noon.

The authorities did not operate in the market during the morning, but in the afternoon bought £24m bank bills in band 4 at 11$\frac{11}{16}$ p.c.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £29m, with a rise in the note circulation absorbing £395m, and bank balances below target £10m. These factors were offset by Exchequer transactions adding £425m to liquidity.

An easing of upward pressure on money market rates was reflected at the weekly Treasury bill tender, where the average rate of discount fell to 11.5509 p.c. from 11.6355 p.c. The £100m bills on offer attracted bids of £661m, compared with £303m for a similar amount the previous week. All bills offered were allotted.

The minimum accepted bid was £97.10, against £97.095, and bids at that level were met as to about 14 p.c., and above in full. Next week a further £100m bills will be on offer, replacing a similar amount of maturities.

From September 23 the size of the weekly tender will be increased, for an undisclosed period. This is a technical move to smooth an expected increase in money market assistance, during periods of heavy corporate tax receipts.

UK clearing bank base lending rate 12 per cent from August 25 & 26

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept.9) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8$\frac{5}{16}$	offer 8$\frac{11}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾-¼
Fed.funds	8¼
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	6.82	Three year	8.57
Two month	7.21	Four year	8.65
Three month	7.53	Five year	8.72
Six month	7.83	Seven year	8.88
One year	8.05	10-year	9.00
Two year	8.45	30-year	9.06

Sept.9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.75-4.85	4.75-4.85	4.80-4.90	4.85-5.00	5.15-5.30	5.00
Paris	7⅞-7$\frac{11}{16}$	7¼-7⅜	7⅞-8	8¼-8⅜	8¾-8⅞	6.75
Zurich	1⅝-1⅞	3⅛-3⅜	-	3⅞-3⅞	-	-
Amsterdam	5.37-5.47	5.40-5.50	-	5.46-5.56	-	-
Tokyo	3.84375	4.34375	-	4.21625	-	-
Milan	10¼-10¾	11¼-11⅜	-	11¼-11⅜	-	-
Brussels	7.40	7⅜-7¾	-	7⅜-7⅞	-	-
Dublin	7⅛-7½	7⅜-7⅞	7⅛-7⅞	7⅜-7⅞	8¼-8⅞	-

LONDON MONEY RATES

Sept.9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13	10⅞	11⅝	12¼	12⅜	12⅞
Interbank Bid	9¾	10	10⅞	12⅛	12⅜	12¼
Sterling CDs	-	-	11⅞	12⅛	12⅜	12
Local Authority Deps.	10	10½	11½	12	12⅛	12
Local Authority Bonds	-	-	12	12½	12⅝	12⅝
Discount Mkt Deps.	10⅛	10¼	11	11⅜	-	-
Company Deposits	-	-	11⅞	12⅛	12¼	12¾
Finance House Deposits	-	-	11⅞	12⅛	12⅜	12⅞
Treasury Bills (Buy)	-	-	11⅞	11$\frac{11}{16}$	-	-
Bank Bills (Buy)	-	-	11$\frac{9}{16}$	11⅜	11$\frac{11}{16}$	-
Fine Trade Bills (Buy)	-	-	11$\frac{15}{16}$	12$\frac{1}{16}$	12⅜	-
Dollar CDs	-	-	8.25-8.20	8.35-8.30	8.65-8.60	8.88-8.83
SDR Linked Dep Offer	-	-	7⅞	7⅞	7⅞	8⅛
SDR Linked Dep Bid	-	-	7⅛	7⅜	7⅝	7⅞
ECU Linked Dep Offer	-	-	7⅞	7⅞	7$\frac{15}{16}$	8
ECU Linked Dep Bid	-	-	7¼	7⅛	7$\frac{11}{16}$	7⅞

Treasury Bills (sell); one-month 11$\frac{5}{32}$ per cent; three months 11$\frac{3}{32}$ per cent; Bank Bills (sell); one-month 11¼ per cent; three months 11$\frac{11}{32}$ per cent; Treasury Bills: Average tender rate of discount 11.5509 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Aug.31, 1988. Agreed rates for period September 26,1988 to October 25, 1988, Scheme I: 12.27 p.c., Schemes II & III: 12.72 p.c. Reference rate for period July 30,1988 to August 31, 1988, Scheme IV&V: 11.364 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1988: Bank Deposit Rates for sums at seven days notice 3.75 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5,1988. Deposits withdrawn for cash 5 per cent.

LONDON STOCK EXCHANGE

Equities recover well after cash call

The London equity market, reeling in mid-week after a series of bearish developments, took further hard knocks yesterday but fought back well to close with only relatively minor losses on balance. The Gilts scene, however, remained calm.

The FT-SE 100-share index officially opened with a fall of around 21 points – although dealers said this was nearer to 25 points in deals carried out earlier – but staged a sustained and impressive recovery mid-morning to post a 2.9 gain before dipping off late in the day to close a net 1.4 off at 1738.4.

The market came under heavy fire at the outset on rumours that Thursday's £130m rights issue by Ultramar would be followed by an even larger fund raising operation. There was also talk that the market could be hit by the last remnants of the substantial sell programme undertaken by Smith New Court on Thursday.

The rights issue stories proved absolutely spot on as media group Carlton Communications launched a £364m cash-call to help finance the acquisition of US film and processing group Technicolor Holdings for around £456m. Carlton shares plummeted on the news.

Talk of programme trades and substantial portfolio switches continued to do the rounds. A flurry of sales in a number of beta and gamma stocks was taken as indication that Thursday's big sale had been completed, and was said to have been a major reason for the early slide in share prices. Any attempted selling early on triggered immediate back-tracking and marking down of share prices.

The recovery started slowly but accelerated in mid-morning when a handful of institutional buying orders were accompanied by market talk of a sizeable – £500m was mentioned – switch out of gilts and into equities by a large fund. The rumours, however, were greeted sceptically by dealers and could not be held up by activity on the market screens. "It was a mark-up in front of Wall Street and a signal that Thursday's sell-off was finished, but at least it stopped the slide which was looking a shade alarming at one point this morning" said one agency broker.

Wall Street caused a few flutters by opening slightly easier and dipping off quite sharply as the long-bond came under pressure after the latest US economic data, but was rallying as the London market closed.

A scan around the equity market showed Lonrho one of the day's most impressive performers both price-wise and in terms of turnover as the market picked up stories of possible stake building said to have originated from the Continent.

The Gilts market was described as "very boring and muted"

Account Dealing Dates

*First Dealings:	Option Declarations:	Last Dealings:	Account Day:
Aug 15	Sep 1	Sep 2	Sep 12
Sep 5	Sep 15	Sep16	Sep 26
Sep 19	Sep 29	Sep 30	Oct 10

*New time dealings may take place from 9.00 am two business days earlier

Carlton asks for £364m

Carlton Communications, the television and video services group, stunned the market by announcing its intention to finance the £458.8m acquisition of US film processing company Technicolor with a massive £364m rights issue. The news immediately sent the market sliding and wiped more than 15 per cent off the value of Carlton shares. Despite a brief mid-morning rally they finally closed 98 points down on 585p.

Although the market considered the takeover of Technicolor a positive move, it wished Carlton had chosen another day on which to announce a major cash call. As one marketmaker put it: "It is a good deal, but it's just not the weather for a rights issue at the moment." However, there was support for Carlton around the 580p-level, dealers reported, and most think a further large fall unlikely.

Ms Rebecca Munns, analyst at Citicorp Scrimgeour Vickers, welcomed the deal because it complements Carlton's current ability to duplicate video films and programmes in large volumes. "Carlton is setting itself up to be the world's largest provider of services to the visual media."

Lonrho speculation

Lonrho was at the centre of intense speculation yesterday after overnight ticker trades, amounting to over 11m shares, had signalled a resumption of the recent heavy buying. The demand had tended to fade after Monday's report that the group was holding a European consortium to purchase the Iranian holding of 25.1 per cent in Fried. Krupp GmbH, the West German group.

There now seems little doubt that someone has acquired a stake, commented a trader who went on to say, "the business is emanating from Switzerland and Germany but it would surprise me if the buyer was European. I think you should look westwards". Traders believe some 22m shares, representing 5¼ per cent of the Lonrho equity, have passed to the single source.

Lonrho has been tracking the unusual activity in the shares and agrees there is sufficient evidence to suggest the presence of a stakebuilder, but it disputes the numbers. Mr Paul Spicer, a director, puts the figure nearer 15m. Lonrho is regarded as a strong asset play by several houses with James Capel the latest to rate the stock. Further buy recommendations are thought to be in the pipeline.

Investors were not discouraged by the fact that shares of Lonrho are trading at a twelve year high relative to the market. Volume rose steadily, totalling 8.7m at the final count, and the shares gained 11 to 261p. Late yesterday the belief was growing that a US source was the stakebuilder and the name of Dupont was placed in the frame.

International stocks fluctuated considerably before settling only a shade easier on the day. Glaxo, however, continued the good run, rising 10 further to 991p for a gain of 35 on the week. Volume amounted to some 1.8m shares. Interest has been aroused by a number of bullish analysts' circulars followed by positive comment on prospects for the group's migraine drug. Glaxo's preliminary figures are due on September 19.

Regarded as one of the prime defensive stocks Hanson traded briskly (around 7.1m shares changed hands) before ending at 140½p. "A company with a sound recessionary record, cash equal to 30 per cent of the diluted market and a 17 per cent yield premium" say Hoare Govett's analysts.

Insurers survived a bumpy ride in the morning to close just a shade easier as buyers returned to the sector on the news that FAI Insurance, the group owned by Mr Larry Adler, the New Zealand corporate raider, had increased its stake in Pearl Assurance to 9.57 per cent. "I doubt if Adler will make a bid for Pearl just yet," said one marketmaker, "but with his reputation as a shrewd operator I don't think his stake is an investment holding." By the close Pearl had gained 13 to 474p.

Selected Breweries failed to join the wider market recovery and Scottish & Newcastle reacted 8 further to 326p while Greenall Whitley lost 11 more to 307p.

Trading conditions in the Building market remained sensitive. Ruberoid still reflecting fears that Tarmac's agreed counter-bid of 280p per share may be referred to the Monopolies and Mergers Commission, eased back 5 more to 265p. However, Tarmac was believed to have purchased further shares yesterday. News that P&O had increased its stake in Trafalgar House by a small margin to 10 per cent failed to enliven the latter which settled a shade cheaper at 398p. Speculative interest revived in Marley which rallied smartly to close 9 higher at 152p. Dealers reported considerable selling of Barratt Developments, down a penny at 164p, after 162½p.

Amersham were particularly vulnerable to selling as bid hopes faded and fell away sharply to close 23 lower at 572p. Wostenholme Rink were also a particular weak feature, tumbling 98 to 420p on Cookson's decision not to increase its offer for the group following the rejection of discussions by the board of Wostenholme.

The leading electronics issues, given a hard time on Thursday when big chunks of stock changed hands in the Smith New Court sell programme, put on a much more sedate performance. Under pressure early on, most of the top-line stocks rallied sufficiently well to end the day with only minor changes on balance.

GEC, where turnover came out at 4.4m, was finally 1½ off at 155p after the annual meeting at which shareholders approvedthe board proposals to buy-in up to 15 per cent of the issued capital. Other news from the meeting – on trading, orders, and GPT – was "as expected but there was little excitement" according to one observer.

Cable & Wireless ran into a sustained bout of selling and ended the day 6 off at 363p.

Rank Organisation, included in Thursday's sell programme, remained a sensitive market and reacted afresh to close 14 down at 624p; volume was relatively modest at 1m shares. Pentland Industries closed 3 off at 105p, after 102p, following comment on the Parker Pen acquisition.

Laird Group tumbled 12 to 245p as disappointment was registered with the half-year figures.

Tate & Lyle featured among food stocks, rising 5 to 809p on news of an unusual deal with two leading starch producers, Staley Continental of the US and CST Group of Belgium. The transaction, which involved alterations to Tate's holdings in the two starch companies, was so complex that a meeting of City analysts was hurriedly called to explain what it all meant. Mr Julian Eakin, of Citicorp Scrimgeour Vickers, was there and summed the deal up as a "restructuring of the ownership of Tate's European and US starch interests aimed at enhancing the profitability of both ends of the business."

Elsewhere in the sector, Ranks Hovis McDougall gained 5 to 357p on renewed rumours that the Goodman Fielder stake had changed hands. Cadbury Schweppes lost 3½ to 336½p in the wake of receding bid hopes, and Unigate, stuck in a soggy market of late, recovered well to close 6 better at 263p on revived talk of a possible takeover bid.

Reduction of the secondary rental rate payable by independent radio companies from 20 per cent to zero for the year ending this month was good news for the sector. Capital Radio rebounded 9 to 338p, while Radio Clyde rose 7 to 195p and Radio City "A" 5 to 236p. Elsewhere, GWR were relaxed 40 to 535p.

Britannia Arrow came under pressure, losing 7 to 97p, on business emanating largely from one securities house, which was said to be Smith New Court.

A press wary of the Californian refinery acquisition and the hangover of a £130m cash call took Ultramar down further. The shares made little recovery and closed 8½ lower at 204p for a two-day drop of 40.

Turnover in Traded Options was again healthy, with a total of 34,177 contracts changing hands. Of that total, 22,337 were calls and 11,840 puts. Best performers of the day were Trusthouse Forte with 2,091 contracts, Lonrho with 2,001 calls and puts, and Sears, which notched up 1,445 contracts during the session.

■ Other market statistics, including the FT-Actuaries Share Index, Page 9.

FINANCIAL TIMES STOCK INDICES

	Sep 9	Sep 8	Sep 7	Sep 6	Sep 5	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.60	86.62	86.79	86.83	86.58	85.43	91.43 (18/4)	86.28 (2/8)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.77	95.87	95.93	95.74	95.67	90.92	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1398.5	1402.4	1419.5	1426.0	1420.5	1763.8	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	183.8	183.5	182.3	184.1	186.9	453.0	312.5 (7/1)	182.3 (7/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.66	4.66	4.60	4.76	4.78	3.33				
Earning Yld %(full)	12.34	12.30	12.18	12.02	12.08	8.14				
P/E Ratio(Net)(*)	9.84	9.87	9.98	10.12	10.07	15.04				
SEAQ Bargains(5pm)	17,311	17,672	18,168	18,657	19,829	47,765				
Equity Turnover(£m)†	1051.39	-	892.18	854.62	674.81	1247.35				
Equity Bargains†	16,881	-	16,592	18,534	21,723	49,337				
Shares Traded (ml)†	333.3	-	270.1	272.8	298.5	828.7				

Ordinary Share index, Hourly changes

[illegible]

DAY'S HIGH DAY'S LOW

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. * Nil 9.76 † Excluding intra-market business.

● S.E. ACTIVITY

Indices	Sep 8	Sep 7
Gilt Edged Bargains	81.1	74.1
Equity Bargains	108.4	107.5
Equity Value	2125.5	1742.7
5-Day average		
Gilt Edged Bargains	88.2	89.6
Equity Bargains	131.0	137.2
Equity Value	1717.7	1624.4

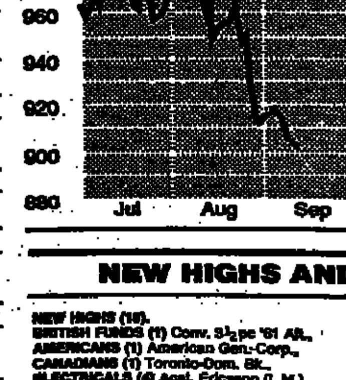
● London Report and latest Share Index: Tel. 0898 123001

LONDON TRADED OPTIONS

[illegible]

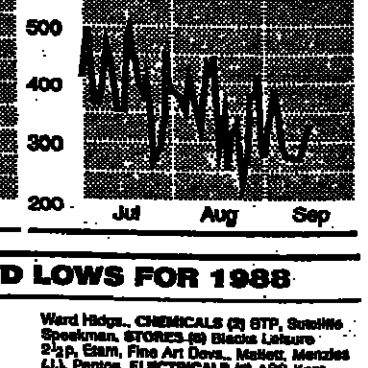
September 9 Total Contracts 34,177 Calls 22,337 Puts 11,840
FT-SE Index Calls 2268 Puts 2524
*Underlying security price.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



NEW HIGHS AND LOWS FOR 1988

[illegible]

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ♦ Bargains done the previous day. Bargain done with non-member or executed in overseas markets.

Corporation and County Stocks No. of bargains included6

London County2½% Cons Stk 1920(or after) - £25 (6Se88)
Greater London Council6¾% Stk 90/92 - 297 ¾
Birmingham District Council11½% Red Stk 2012 - £104
Blackburn Corp3½% Irrd Stk - £29 (7Se88)
Bristol CorpDeb Stk (3½%) - £30 (6Se88)
Islington Corp11.9% Red Stk 2017 - [illegible]

[illegible]

UK Public Boards

[illegible]

Foreign Stocks, Bonds, etc-(coupons payable in London)

[illegible]

Sterling Issues by Overseas Borrowers

[illegible]

Banks and Discount Companies

[illegible]

Standard Chartered PLC12½% Subord Uns Ln Stk 2002/07 - £107¾
TSB Group PLCOrd 25p - 97 7 ¾ .9475 8 9 9
Watney (S.G.) Group PLC7½% Cum Prf £1 - 96½♦ ¾♦

Breweries and Distilleries No. of bargains included457

Allied-Lyons PLC5½% Cum Prf £1 - 50 (6Se88)
7½% Cum Prf £1 - 70 (6Se88)
6¾% Red Deb Stk 84/89 - £94

[illegible]

Registered Housing Associations

[illegible]

Commercial, Industrial, etc

[illegible]

Unit Trusts

[illegible]

Mines - Miscellaneous

[illegible]

Financial Trusts, Land, etc

[illegible]

Mines - South African

[illegible]

Oil

[illegible]

Property

[illegible]

Insurance

[illegible]

Investment Trusts

[illegible]

Plantations

[illegible]

Railways

[illegible]

Shipping

[illegible]

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aberfoyle A$3.383 (5/9)
Abitibi-Price 930♦ (7/9)
Acorn Securities 4.36♦ (7/9)
Adelaide Petroleum A$0.202 (7/9)
Alkane Exploration A$0.069 (6/9)
Amatil A$8.603 (5/9)
Ampol Exploration 116♦ (6/9)
Amsterdam Rotterdam Bank FL73.05,73.1,73¼
Aquarius Exploration 8 (5/9)
Aust. Foundation Inv 68♦66,A$1.519
Avions Marcel Dass-Berg-Aviat. FR693.35♦ (6/9)
Central Norseman Gold 47♦ (7/9)
Central Pacific Minerals 39♦ (5/9)
Central Victorian Gold Mines 3♦ (7/9)
Cerebos Pacific S$6.063 (7/9)
Churchill Resources A$0.121
City Developments S$3.063 (7/9)
Commodore International $11.4995 (5/9)
Community Psychiatric Centers $22.555♦ (7/9)
Consolidated-Bathurst Cl 'A' 700 (6/9)
Development Bank of Singapore S$8.40352 (5/9)
Dulker Exploration 200 (6/9)
Du Pont $82.54♦
Elec & Eltek Co 6 (7/9)
Equity Silver Mines C$5♦ (7/9)
Eromanga Energy A$0.08072 (5/9)
Free State Cons Gold Mines $7¼♦7¾♦
Generale Occidentale FR715♦ (6/9)
Gold Mines of Kalgoorlie A$1.52 (6/9)
Golconda Minerals A$0.239 (5/9)
Grants Patch Mining 10♦A$0.201 (5/9)
Hang Lung Development HK$4.975
Hartogen Energy 60
Hexel Corp $34¾♦34⅝♦34.92♦35♦
Hill 50 Gold Mines A$2.207 (7/9)
Hk-tvb HK$12.81599 (5/9)
Jingellic Minerals 10 (6/9)
Kalgoorlie Resources A$0.099
Killinghall Tin (Malaysia) Berhad Ord 43♦
Lafarge Corp $1.756♦
Leighton Hldgs A$0.716 (6/9)
Matsushita Electric Industrial $19.3,Y2313,2570 (7/9)
Mentana Minerals A$6.6799, 6.721 (5/9)
Mitsubishi Heavy Inds Y827½,891,892½,893
Mount Carrington Mines A$1¼
National Electronics (Consolidated) 5
Nationale-Nederlandan CVA FL62.4,62½
Nicron Resources A$0.305 (5/9)
North Flinders Mines A$7.875 (5/9)
Oil Search 40♦
Overseas Chinese Banking Corp 218♦ (7/9)
Petersville Sleigh A$2.492 (2/9)
Pioneer Electronic Corp Y3789.04 (5/9)
Poseidon 101♦ (7/9)
Pretoria Portland Cement 210♦ (7/9)
Range Resources A$0.151 (7/9)
Sky Line Explortn 605♦
Societe Nationale Elf Aquitaine FR316
Square Gold & Minerals A$0.328 (6/9)
Strategic Minerals Corp A$0.42469♦ (2/9)
Stride Rite Corp $29.77488 (2/9)
Sumitomo Metal Industries Y558 (7/9)
Sun Hung Kai Properties HK$10.45 (6/9)
Wharf Hldgs 58½,HK$7.8
Zanex 1¼ (2/9)

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange

Adnams & Co. £17.50,18 (5/9)
Appleton Holdings 15.6, 20 (6/9)
Channel Island Communications 425 (5/9)
Conister Trust 160 (7/9)
Consolidated Radio Holdings 90 (5/9)
Dart Valley Light Rlwy 210 (2/9)
Douglas Gas Light 310 (7/9)
GRI Electronics 90,5 (2/9)
Grampian TV 48 (6/9)
Greenstar Hotels 80
Guernsey Gas Light 546 (6/9)
Hartley Baird 70 (6/9)
Hogin 90 (7/9)
Jennings Bros 315
Le Riches Stores 400
Ocean Sound 605,60.715 (5/9)
Do. Non-Vtg. 605,60.715 (5/9)
Owl Creek Investments 10½,11½ (5/9)
Rangers FC £14 (6/9)
Real Estate & Commercial Trust 6¾pc 1st Mtg £98 (5/9)
Do. 7¾pc 1st Mtg 1990/95 £95 (5/9)
Sefton Hotel 200 (2/9)
Severn Valley Railway 50
Southern Newspapers 380 (7/9)
Star Offshore Services 15 (5/9)
Sutton Harbour Improvement 500 (2/9)
Thwaites 224.5 (5/9)
Weetabix A 380.5
Wistech 60.5
Wolverhampton Racecourse 400

By Permission of the Stock Exchange Council

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

LEADERS AND LAGGARDS

Percentage changes since December 31 1987 based on Thursday September 8 1988

Overseas Traders	+20.36	Insurance(Composite)	+ 3.74
Property	+19.49	Other Groups	+ 3.67
Investment Trusts	+14.73	Insurance(Life)	+ 3.56
Mining Finance	+14.34	Industrial Group	+ 3.13
Leisure	+14.15	500 Share Index	+ 2.89
Contracting, Construction	+12.08	Other Industrial Materials	+ 2.25
Mechanical Engineering	+10.93	Motors	+ 1.54
Electronics	+10.65	Oil & Gas	+ 1.42
Food Manufacturing	+10.47	Consumer Group	+ 1.05
Shipping & Transport	+ 8.19	Building Materials	+ 0.12
Brewers and Distillers	+ 8.18	Packaging & Paper	- 0.33
Conglomerates	+ 8.07	Banks	- 0.53
Metals & Metal Forming	+ 7.77	Agencies	- 1.16
Capital Goods	+ 6.36	Chemicals	- 1.42
Insurance(Brokers)	+ 6.12	Publishing & Printing	- 1.64
Health & Household Products	+ 5.96	Merchant Banks	- 6.21
Telephone Networks	+ 5.03	Textiles	- 6.45
Electricals	+ 4.98	Food Retailing	- 9.49
Financial Group	+ 4.48	Stores	-12.50
All Share Index	+ 3.84	Gold Mines Index	-39.26

RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	39	55	19	261	215	89
Corps. Dom. & Foreign Bonds	7	12	32	65	49	141
Industrials	245	643	714	1,976	2,257	3,757
Financial and Props	65	288	312	745	828	1,736
Oils	11	40	55	104	180	246
Plantations	0	2	11	5	3	57
Mines	25	35	133	171	260	538
Others	50	89	125	332	315	703
Totals	442	1,164	1,401	3,659	4,107	7,267

BANK RETURN

BANKING DEPARTMENT	Wednesday September 7, 1988	Increase (+) or decrease (-) for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	89,023,896	- 291,502
Bankers Deposits	1,161,096,336	+ 31,419,985
Reserve and other Accounts	2,250,652,000	+ 138,186,849
	3,515,325,232	+ 169,315,332
ASSETS		
Government Securities	615,728,507	- 114,040,312
Advance and other Accounts	761,985,588	- 244,255,995
Premises Equipment & other Secs	2,128,907,973	+ 529,206,512
Notes	8,472,121	- 1,589,893
Coin	231,043	- 4,980
	3,515,325,232	+ 169,315,332
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	14,471,527,879	- 138,410,107
Notes in Banking Department	8,472,121	- 1,589,893
	14,480,000,000	- 140,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	9,101,572,372	+ 863,772,027
Other Securities	5,367,412,528	- 1,003,772,027
	14,480,000,000	- 140,000,000

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

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FT UNIT TRUST INFORMATION SERVICE

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Swiss Life Pen Tst Man Co Ltd (1000)H						
99-101 London Rd, Sevenoaks 0732 450161						
Equity Dist	5	310.5	315.3	335.4	[illegible]	[illegible]
Equity Acc	5	398.6	404.6	428.2	[illegible]	[illegible]
Fixed Int Dist	5	115.1	117.2	121.4	-0.1	9.20
Fixed Int Acc	5	204.1	207.7	215.2	-0.2	9.20
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434						
TSB American	5	97.99	97.99	104.16	-0.72	2.19
Do Accum	5	105.17	105.17	111.79	[illegible]	2.17
TSB Brit Growth	5	51.57	51.57	55.38	-0.71	3.26
Do Accum	5	53.55	53.55	56.97	[illegible]	3.26
TSB European	5	48.77	48.77	51.88	[illegible]	[illegible]
Do Accum	5	50.10	50.10	53.30	[illegible]	[illegible]
TSB Extra Income	5	139.13	140.97	149.97	[illegible]	[illegible]
Do Accum	5	179.59	181.97	193.58	-2.50	[illegible]
TSB Smaller Cos	5	52.19	52.77	56.14	-0.49	1.22
Do Accum	5	52.10	53.72	57.14	[illegible]	1.22
TSB General	5	165.77	165.77	176.35	[illegible]	[illegible]
Do Accum	5	286.94	286.94	305.26	[illegible]	[illegible]
TSB Gilt & Fxd Int	3½	46.66	46.66	48.27	[illegible]	9.13
Do Accum	3½	70.45	70.45	72.87	[illegible]	9.13
TSB Income	5	246.78	246.78	262.53	[illegible]	[illegible]
Do Accum	5	412.49	412.49	438.82	-7.11	[illegible]
TSB Pacific	5	202.40	203.42	216.40	[illegible]	[illegible]
Do Accum	5	210.44	211.49	224.99	-0.17	[illegible]
TSB International	5	314.00	314.75	334.84	[illegible]	1.05
Do Accum	5	394.96	395.92	421.19	[illegible]	1.05
TSB Nat. Resources	5	60.08	60.62	64.49	+0.20	1.41
Do Accum	5	63.15	63.72	67.79	+0.20	1.41
TSB Stead Opps	5	74.94	74.94	79.72	[illegible]	2.40
Do Accum	5	85.52	85.52	90.98	[illegible]	2.40
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 01-379 [illegible]						
American Eagle	5	62.19	62.19	66.45	[illegible]	0.89
Australia	5	7.543	7.543	8.063	[illegible]	0.10
Commodity	5	73.66	73.66	79.41	[illegible]	[illegible]
Convertible	5	139.4	139.4	150.2	[illegible]	[illegible]
Equity	5	141.9	141.9	153.9	[illegible]	[illegible]
Euro Spec Sits	5	76.04	76.04	81.89	[illegible]	[illegible]
Financial	5	29.08	29.08	31.34	[illegible]	[illegible]
Global Opps Inc	5	54.69	54.69	58.97	[illegible]	[illegible]

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
MIM Ltd				
Mngd Fund/Acc	53.2	56.71	-0.1	0.86
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Exmt Sept 7	39.5	41.0	—	2.24
Euro Exmt Sept 7	39.0	40.9	—	3.21
Fixed Int Ex Sept 7	48.2	50.4	—	9.89
Japan Exmt Sept 7	50.5	52.5	—	0.46
Managed Ex Sept 6	38.3	39.8	—	4.03
SE Asia Exmt Sept 7	36.8	38.6	—	2.97
Sm Cos Exmt Sept 7	42.7	44.8	—	[illegible]
UK Eqty Ex Sept 7	34.9	36.6	—	4.2
New Court Property Fund Managers				
NC Property	189.5	199.5	—	—
Phillips & Drew Fnd Management Ltd				
PDFM Small Co [illegible]	771.6	817.0	—	3.75
Do Accum	795.0	844.0	—	3.75
PDFM Int Exmt Sept 8	125.0	125.7	—	2.43
J. Rothschild Fund Managers Ltd				
Intl Exempt	91.46	92.75	—	2.98

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
Investment Mngt M & G (see Mngt. Ltd)				
AA Friendly Sy Aug 12	—	134.9	-6.0	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	257.5	272.1	—	—
Equity Ser. 1	108.5	114.3	-2.4	—
Prop. Acc. Ser 2	372.9	392.6	—	—
Equity Ser 2	123.1	129.6	-2.8	—
Selective Acc.	282.3	297.2	-1.9	—
Prop. Ser. 4	299.2	308.7	[illegible]	—

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or -	Yield Gross
Phoenix Assurance Co Ltd				
Phoenix House, Redcliff Hill, Bristol 0272 294941				
Life Assurance Funds				
Wealth Asnd	379.8	399.9	----	-
Eb'r Ph Eq	344.2	366.6	----	-
Pension Plan Funds				
Phoenix				
UK Equity Acc.	162.6	171.1	+0.3	-
International Acc.	139.2	146.5	+0.2	-
Property Acc.	147.2	154.9	+0.2	-
Fixed Interest Acc.	153.9	161.9	----	-
Money Acc.	143.7	151.2	+0.2	-
Bldg Soc. Link Acc.	140.5	147.8	+0.1	-
Special Mngd Acc. 0	149.3	157.1	+0.2	-
Phoenix/Framlington				
Intnl. Growth Acc.	87.10	91.60	+0.10	-
Am Smllr. Cos. Acc.	87.40	91.90	+0.70	-
Capital Tst. Acc.	170.1	179.0	-0.8	-
Japan & Gen Acc.	189.1	199.0	----	-
American Turn. Acc.	95.70	100.7	+0.2	-
Recovery Tst. Acc.	173.6	182.7	-0.3	-
Special Mngd Acc.	146.1	153.7	-0.2	-
Phoenix/GT				
International Acc.	131.3	138.2	+0.5	-
US & General Acc.	87.10	91.61	+0.10	-
Amer Spec Sits Acc.	65.50	68.90	----	-
Japan & General Acc.	190.7	200.7	-1.1	-
Far East & Gen Acc.	136.4	143.5	-0.1	-
UK Capital Acc.	166.8	177.6	-0.7	-
European Acc.	140.6	148.0	+0.5	-
Special Mngd Acc.	125.2	131.7	-0.3	-
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655				
Managed Fund	258.6	272.3	----	-
Man Pens Inc & Cap Fds	327.1	344.4	----	-
Money Fund	114.0	120.0	----	-
Pens. Mngd Fd (Init)	86.4	91.0	----	-
Pens Mngd Fd (Acc)	100.1	105.4	----	-
Pens FT30 Fd (Init)	123.1	129.6	----	-
Pens FT30 Fd (Acc)	142.6	150.2	----	-
Pens O'seas MgFd(Init)	58.6	61.7	----	-
Pens O'seas MgFd(Acc)	67.9	71.5	----	-
Pens Fxd Int Fd (Init)	101.6	107.0	----	-
Pens Fxd Int Fd (Acc)	117.7	123.9	----	-
Pens Deposit Fd (Init)	101.7	107.1	----	-
Pens Deposit Fd (Acc)	117.9	124.2	----	-
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	100.0	106.0	----	-
Building Soc. Fd.	163.0	172.0	----	-
Balanced	240.0	253.0	-1.0	-
Deposit	163.0	172.0	----	-
European	126.0	133.0	+1.0	-
GT Managed	147.0	155.0	----	-
Gartmore Mngd	101.0	107.0	+1.0	-
German	91.0	96.0	----	-
Gilt	162.0	171.0	----	-
High Inc.	107.0	113.0	----	-
International Equity	153.0	162.0	----	-
Japan	216.0	228.0	----	-

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Mutual Life Assc. Assn.				
Willian Rd. Hitchin, Herts SG4 0LP 0438 739000				
Managed Ord	280.3	295.1	+0.6	-
Managed Init	231.0	243.2	+0.5	-
Equity Ord	388.2	408.6	+1.4	-
Equity Init	320.0	336.8	+1.1	-
Index Linked Gilt Ord	121.2	127.6	-0.1	-
Index Linked Gilt Init	104.3	109.8	-0.1	-
Overseas Equity Ord	253.2	266.5	+0.3	-
Overseas Equity Init	208.7	219.7	+0.3	-
Property Ord	172.2	181.3	-	-
Property Init	142.0	149.5	-	-
Fixed Interest Ord	167.5	176.3	-0.1	-
Fixed Interest Init	138.1	145.4	-0.1	-
Deposit Ord	135.7	142.8	-	-
Deposit Init	111.9	117.8	-	-
Pension Funds				
Managed Ord	337.4	355.2	+0.8	-
Managed Init	278.1	292.7	+0.5	-
Equity Ord	484.0	509.5	+2	-
Equity Init	399.0	420.0	+1.7	-
Pen Ind Lkd Gilt Ord	130.6	137.5	-0.1	-
Pen Ind Lkd Gilt Init	112.5	118.4	-0.1	-
Overseas Equity Ord	286.4	301.5	+0.4	-
Overseas Equity Init	236.1	248.5	+0.4	-
Property Ord	201.8	212.4	-	-
Property Init	166.3	175.1	-	-
Fixed Interest Ord	190.0	200.0	-0.1	-
Fixed Interest Init	156.6	164.8	-0.1	-
Deposit Ord	169.5	178.4	-	-
Deposit Init	139.7	147.1	-	-

For Provincial Life Ass Co Ltd see Prolific Life & Pensions Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 01-405 9222				
Prufund				
Managed Sept 7	204.0	212.6	----	-
Prudential Holborn Life Ltd				
30 Old Burlington St, London W1X 1LB 01-439 3134				
Holborn Series I Life Funds				
Managed	431.6	454.4	+0.4	-
Equity	855.8	900.9	+0.3	-
Fixed Interest	368.4	387.8	+0.1	-
Property	353.1	371.7	----	-
Cash	245.4	258.4	+0.1	-
International	299.8	315.6	+0.4	-
Holborn Series II Life Funds				
Managed	423.7	446.0	+0.4	-
Equity	838.6	882.8	+1.2	-
International	293.3	309.8	-0.1	-
Fixed Intl	359.7	378.7	+0.1	-
Property	344.9	363.1	----	-
Cash	239.9	252.6	----	-
Pacific Basin	168.2	177.1	-0.3	-
North American	120.6	127.0	-0.2	-
European	126.0	132.7	+0.2	-
Holborn Balanced Gwth	99.2	104.5	-0.3	-
Holborn Strategic Gwth	98.3	103.5	-0.5	-

Prudential Holborn Pensions Ltd

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

OFFSHORE INSURANCES

[illegible]

هكذا في الأصل

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Stock	Yield Int.	Yield Red.
Redemption 3pc 1986-96	–	–
Treas. 9½pc '88	9.53	11.39
Treas 11½pc 1989	11.51	11.61
Treas 9½pc Cnv 1989	9.62	11.63
Treas 3pc 1989	3.12	9.22
Treas 10½pc 1989	10.59	11.69
Exch 10pc 1989	10.14	11.65
Exch 11pc 1989	11.05	11.47
Treas 5pc 1986-89	5.27	10.00
Exch 10¼pcCv '89	10.36	11.14
Treas 13pc 1990‡‡	12.67	10.77
Exch 11pc 1990‡‡	10.96	10.68
Exch. 12½pc 1990	12.22	10.85
Treas. 3pc 1990	3.31	9.168
Treas 8¼pc 1987-90‡‡	8.58	10.67
Treas. 8pc Cv 1990 ‡‡	8.30	10.19
Treas. 10pcCv 1990	10.16	10.83
Exch 2½pc 1990	2.86	8.89
Treas 11¾pc 1991	11.53	10.75
Funding 5¾pc '87-91‡‡	6.35	10.03
Treas. 3pc 1991	3.48	8.90
Treas 10pc Cv '91 ‡‡	10.13	10.53
Exch. 11pc 1991	10.91	10.66
Treas. 8pc 1991	8.61	10.64
Treas 12¾pc 1992‡‡	12.03	10.56
Treas 10pc 1992	10.15	10.50
Treas. 8pc 1992 ‡‡	8.64	10.52
Treas 10½pc Cv 1992‡‡	10.51	10.52
Treas. 3pc 1992	3.65	8.64
Exch. 12¼pc '92	10.63	10.55
Exch 13½pc 1992	12.35	10.60
Treas 8¼pc 1993	8.95	10.49
Treas 10pc 1993‡‡	10.16	10.44
Treas 12½pc 1993‡‡	11.65	10.50

Five to Fifteen Years

Stock	Yield Int.	Yield Red.
Funding 6pc 1993‡‡	6.80	8.98
Treas 13¾pc 1993‡‡	12.24	10.57
Treas. 8½pc 1994	9.24	10.46
Tr 8½pc 1994 'A' (50% pd)	9.24	10.48
Treas 14½pc 1994‡‡	12.46	10.48
Treas. 10pc Ln 1994‡‡	10.15	10.34
Exch. 12¼pc 1994	11.56	10.60
Treas 9pc 1994‡‡	9.56	10.28
Treas 12pc 1995	11.26	10.55
Exch 3pc Gas 90-95	3.70	6.58
Exch. 10¼pc 1995	10.33	10.39
Treas 12¾pc 1995‡‡	11.44	10.42
Treas. 14pc '96	11.94	10.55
Treas. 9pc 1992-96‡‡	9.57	10.15
Treas 15¼pc 1996‡‡	12.26	10.52
Exch 13¼pc 1996‡‡	11.57	10.43
Conversion 10pc 1996	10.19	10.32
Treas 13¼pc 1997‡‡	11.47	10.39
Exch 10½pc 1997	10.40	10.32
Treas 8¾pc 1997‡‡	9.52	10.14
Exch 15pc 1997	11.95	10.55
Exch. 9¾pc 1998	10.06	10.25
Treas 6¾pc 1995-98‡‡	8.26	9.71
Treas. 15½pc '98‡‡	11.83	10.44
Exch. 12pc 1998	10.89	10.34
Treas 9½pc 1999‡‡	9.83	10.01
Exch. 12¼pc 1999	10.93	10.33
Treas. 10½pc 1999	10.32	10.22
Conversion 10¼pc 1999	10.23	10.21
Treas. 8½pc Ln 2000‡‡	9.43	9.95
Conversion 9pc 2000‡‡	9.64	9.98
Treas. 13pc 2000	11.02	10.32
Treas 10pc 2001	10.04	10.04
Treas. 14pc '98-01	11.59	10.51
Conversion 9¾pc 2001	9.95	10.02
Exch. 12pc '99-02	10.88	10.34
Conversion 10pc 2002	9.99	9.98
Treas 9¾pc 2002	9.91	9.95
Exch. 9pc 2002	9.65	9.88
Treas. 13¾pc 2000-03	11.20	10.37
Treas 10pc 2003	9.91	9.89

Over Fifteen Years

Stock	Yield Int.	Yield Red.
Treas. 11½pc 2001-04	10.51	10.16
Treas. 10pc 2004	9.86	9.81
Funding 3½pc '99-04	6.13	8.46
Conversion 9½pc 2004	9.70	9.75
Conversion 9½pc 2005	9.67	9.71
Exch 10½pc 2005	9.87	9.72
Treas. 12½pc 2003-05	10.46	9.96
Treas. 8pc 2002-06‡‡	9.26	9.60
Conversion 9¾pc 2006	9.68	9.66
Treas. 11¾pc 2003-07	10.35	9.94
Treas 8½pc 2007 ‡‡	9.32	9.50
Treas. 13½pc '04-08	10.54	9.91
Treas. 9pc 2008 ‡‡	9.40	9.49
Treas 8pc 2009	9.18	9.41
Conv 9pc Ln 2011 ‡‡	9.34	9.38
Treas. 5½pc 2008-12‡‡	8.50	9.16
Treas. 7¾pc 2012-15‡‡	9.17	9.33
Exch. 12pc '13-'17	9.63	9.42

BRITISH FUNDS—Contd

Undated

Index-Linked

Stock	(1)	(2)
Treas 2pc IL '90(84.6)	1.39	3.25
Do. 2pc '92‡‡(97.8)	2.85	3.58
Do. 2 '94 (102.9)	3.22	3.67
Do. 2pc '96(67.9)	3.29	3.62
Do 2½pc '01(78.3)	3.81	4.04
Do. 2½pc '03(78.8)	3.85	4.05
Do. 2pc '06(69.5)	3.86	4.03
Do. 2½pc '09(78.8)	3.87	4.03
Do. 2½pc '11(74.6)	3.87	4.02
Do. 2½pc '13(89.2)	3.85	3.99
Do. 2½pc '16(81.6)	3.81	3.95
Do. 2½pc '20(83.0)	3.77	3.89
Do. 2½pc '24‡‡(97.7)	3.74	3.86

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1987:103.3 and for July 1988:106.7

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Stock	Yield Int.	Yield Red.
African Dv Bk 11¼ Ln 2010	10.86	10.81
Asian Dev Bk 10¼pcLn2009	10.42	10.45
Australia 13½pc 2010	10.99	10.65
Do. 11¾pcLn2015	10.66	10.61
Euro Inv Bk 11pc Ln 2002	10.59	10.47
Do. 10¼pc2004	10.44	10.45
Int-Am Dev Bk 12½pc 2003	10.99	10.60
Do. 9¾pcLn 2015	10.43	10.47
Malaysia 10¾pcLn 2009	11.32	11.38
Utd. Mexican States 16½pc 2008	15.15	15.08

CORPORATION LOANS

Stock	Yield Int.	Yield Red.
Birmingham 13½pc 1989	13.04	9.48
Do. 11½pc 2012	11.11	11.10
G.L.C. 6¾pc 1990-92	7.71	11.20
Leeds 13½pc 2006	11.30	10.99
Liverpool 3½pc Irred.	10.61	–
LCC 6¾pc '88-90	7.30	11.00
Do. 3pc '20 Aft.	10.00	–
Manchester 11½pc 2007	11.00	10.90

COMMONWEALTH & AFRICAN LOANS

Stock	Yield Int.	Yield Red.
NZ 7¼pc 1988-92	8.26	11.10
S Rhod 2½pc Non-Assd.	–	–
Do. 4½pc 87-92 Assd.	5.63	–
Zimbabwe Ann (£100pa).	–	–

LOANS

Building Societies

Stock	Yield Int.	Yield Red.
N'wide 10⅝pc 12.9.88	10.82	12.47
Do. 10⅜pc 26.9.88	10.63	12.34
Do. 10⅛pc 31.10.88	10.23	12.59
Do. 9¼pc 28.11.88	9.32	12.36
Do. 9¾pc 28.12.88	9.83	12.33
Do. 9⅝pc 23.1.89	9.81	12.32
Do. 9⅞pc 20.2.89	10.05	12.32
Do. 9⅝pc 13.3.89	9.81	12.30
Do. 9⅛pc 17.4.89	9.36	12.30
Do. 9½pc 8.5.89	9.68	12.32
Do. 8⅞pc 30.5.89	9.15	12.31
Do. 9⅞pc 26.6.89	10.01	12.33
Do. 10⅝pc 17.7.89	10.84	12.33
Do. 3⅞pcIL Ln 2021	4.58	4.73

Public Board and Ind.

Stock	Yield Int.	Yield Red.
Agric. Mt. 5pc '59-89	5.26	8.51
Met. Wtr. 3pc 'B'	6.38	9.83

Financial

Stock	Yield Int.	Yield Red.
3i 11¾pc Un Ln '90	11.74	11.63
Do 7¼pcADb89-92	8.30	11.03
Do. 12½pc Un. Ln. 1992	12.08	11.30
Do. 7¼pc A 1991-94	8.64	10.97
Do. 9pc A 1991-94	9.69	10.63
Do. 8¾pc Ln 1992-97	9.96	10.88

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
27¼	22⅞	Texas Instr. $1	23	+⅛	72c	–	1.8
60⅛	43⅛	Time Inc. $1	56⅜xd	–⅛	$1.00	–	1.0
20⅝	15⅞	Transamerica $1	20½xd	–⅛	$1.84	–	5.3
20¼	14½	TRINOVA Corp.	15⅛xd	.....	64c	–	2.4
19	15¼	USX $1	16	–⅛	$1.20	–	4.4
23	17⅝	Utd. Technologies	20⅞xd	–⅛	$1.60	–	4.5
33½	26¼	US West§	32⅛	+⅛	$3.52	–	6.3
23¼	16⅞	Waste Management $1	22⅞xd	–⅛	48c	–	1.2
16⅞	12⅞	Whirlpool $1	14⅝	.....	$1.10	–	4.4
32⅞	18¼	♥Woolworth $3½	29½	–⅛	$1.64	–	3.3

CANADIANS

1988 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp ‖	196p	.....	–	–	–
32p	11p	♥Abbot Energy Corp.	13½p	.....	–	–	–
14¼	986p	♥Amer. Barrick Res.	986p	–14	–	–	–
10p	3½p	American Lightwave	3½p	.....	–	–	–
47p	14p	♥Armeno	15p	+1	–	–	–
76p	45p	Augmitto Explo.	47p	.....	–	–	–
13⅞	10⅝	Bk. Montreal ‖	13⅞	+⅛	$2.00	–	7.1
697p	514p	Bk. Nova Scot. ‖	689p	+6	76c	–	5.4
18¼	15¼	BCE ‖	17¼xd	.....	$2.44	–	6.7
716p	591p	♥Bow Valley‖	641p	.....	‡40c	–	3.0
13⅝	10½	♥Brascan‖	12¼	.....	88c	–	3.5
328p	189p	♥Breakwater Res.	214p	.....	10c	–	2.3
11¼	801p	Can. Imp Bank‖	11¼	+⅛	$1.16	–	4.8
11½	841p	Can. Pacific ‖	974p	–18	60c	–	3.0
41½	40	Do. 4pc Deb £100	40½	.....	4%	–	9.9
515p	362p	Central Capital "A" ‖	469p	–1	–	–	–
485p	433p	♥Corona Corp	434p	–6	–	–	–
886p	288p	Cons. TVX Min.	315p	–18	–	–	–
363p	76p	Danbus Res.	362p	–1	–	–	–
686p	430p	Derlan Inds	570p	+5	11.75c	–	1.0
14¼	984p	♥Echo Bay Mines	986p	–13	$0.07	–	0.4
40p	15p	Energex Minerals	15p	–2	–	–	–
125p	83p	Euro-Asia Capital Ltd.	97p	.....	–	–	–
386p	222p	♥Galactic Resources	235p	.....	–	–	–
125p	90¼p	♥Geodome Res.	94p	+1	–	–	–
394p	196p	Granges Explo‖	211p	+4	–	–	–
17p	8½p	♥Gt. Pacific Res.	8½p	.....	–	–	–
903p	652p	♥Gulf Canada‖	796p	–24	52c	–	3.2
12⅞	816p	♥Hawker Sid Can‖	10⅝	–⅛	$1.08	–	4.9
590p	344p	Henlys Group	475p	–1	–	–	–
957p	785p	♥Hudson's Bay ‖	891p	.....	60c	–	3.3
28	22⅞	♥Imperial Oil‖	25⅞	+⅛	$1.80	–	3.4
20⅞	10¼	Inco‖	16¼	–⅞	US$0.80	–	2.9
718p	462p	♥Inland Nat. Gas $1	546p	–7	60c	–	5.3
250p	150p	Madeleine Mines	176p	–14	–	–	–
207p	126p	♥Muscocho Explo.	188p	.....	–	–	–
187p	65p	♥Ntnl Business Syst. ‖	77p	+6	–	–	–
245p	110p	♥Nevada Goldfields	181p	.....	–	–	–
12	787p	♥Rio Algom	10¼	+⅛	$1.30	–	6.2
16⅛	11½	Royal Bk. Can. ‖	16⅛	+⅛	$2.08	–	6.2
34⅛	26⅝	Seagram‖	31⅞	–⅛	US$1.20	–	2.2
361p	166p	♥Sonora Gold Corp‖	166p	–8	–	–	–
121p	18p	Spiral Eng.	95p	–10	–	–	–
150p	35p	Tan Pure Tech. Corp ‖	118p	–1	–	–	–
17	11⅞	Toronto-Dom. Bk.‖	17	+⅛	$1.12	–	3.2
64p	12p	♥Trans Atlantic Res ‖	12p	–4½	–	–	–
684p	566p	♥Trans Can Pipe	612p	–12	68c	–	5.4
205p	127p	Varity Corp‖	169p	–2	B	–	–

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*243	124	ANZ $A1	233	+3	†Q21c	3.1	4.4	7.4
281	200	Allied Irish	258	–2	Q65.3%	3.1	5.3	8.1
£13¼	£10⅞	Algemene Fl.10	£12⅛	+⅛	Q27%	1.9	6.3	–
73	58	Anglo Irish	65	.....	Q19.6%	1.2	6.3	20.3
90	64	Ansbacher (H.) 1p.	82	.....	2.0	–	3.3	–
£40½	£24⅝	Banco de Bilbao S.A.	£35¼	.....	Q67.2%	3.1	4.7	6.8
£35⅝	£27⅛	Banco de Santander	£30⅝	.....	Q22%	2.4	1.7	24.0
*268	184	Bank Ireland Ir£1	231	–2	Q15.67%	3.3	5.7	7.2
£18½	£15	Bank Leumi	£18½	.....	–	–	–	–
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

[illegible] capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s *Dividend and yield exclude a special payment.* t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other *official estimates for 1987-88. L Estimated annualised dividend,* cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	70	......
Craig & Rose £1.. y	698	......
Finlay Pkg. 5p.... y	86	−2
Holt (Jos) 25p.... y	£11⅛	......

IRISH

Nat. 9¾ % 84/89..	£100	......
9pc Cap Ln. 1996..	£99⅝	......
Fin. 13% 97/02...	£119⅝	......
Arnotts.............. y	355	......
Carroll Inds.......... y	156	−6
Grafton Grp......... y	125xd	......
Hall (R. & H.).......	162	−3
Heiton Hldgs....... y	53xd	......
Irish Ropes.......... y	163	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45
Property	
Brit Land	38
Land Securities	52
MEPC	52
Peachey	50
Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	93
Ultramar	26
Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

FINANCIAL TIMES
Weekend September 10/September 11 1988

Maxwell to raise $2.3bn offer for Macmillan publishers

By Raymond Snoddy in London and Alan Friedman in Milan

MR ROBERT MAXWELL, the UK publisher, yesterday said he was prepared to increase his $80-a-share, $2.35bn (£1.38bn) tender offer for Macmillan, the US publishing group.

The chairman of Maxwell Communication Corporation also announced he had agreed to acquire Panini of Italy, the printing company that specialises in sports cards and stickers, in a deal believed to be worth just over £50m. It is his first Italian acquisition.

Speaking after talks in New York with Mr Edward Evans, Macmillan's chairman, Mr Maxwell said: "We have reiterated our willingness and ability to discuss increasing our present offer." He told shareholders at an extraordinary general meeting in London, called to approve financing of the proposed takeover by specifically set-up companies, that he had advised Macmillan that his primary interest was still to purchase the entire company.

He also said he had already increased his alternative offer of $1.1bn for a group of Macmillan companies, mainly in the business information sector, to "not less than $1.4bn." The offer was increased because a larger list of Macmillan information division subsidiaries is apparently being considered.

Mr Maxwell said confidentiality agreements prevented him disclosing which companies were being considered. However, the original proposal involved divisions providing data to the business, communication and medical industries, directories and retail merchandise.

Mr Maxwell, who received the backing of more than 99 per cent of shareholders at yesterday's meeting, still wants to take over all of Macmillan but the signs are that Macmillan wants to keep control of the main publishing business and instead sell Mr Maxwell only the information division.

Further talks are scheduled between Mr Maxwell and Mr Evans, while the original tender for the whole of Macmillan – which expires on Monday – is expected to be extended.

Panini, the Modena-based printer with operations in 11 countries, had pre-tax profits of L10bn(£4.25m) last year on turnover of L140bn.

Mr Maxwell has agreed to buy a 30 per cent stake for cash in the company from Mr Carlo De Benedetti for £25.5m. He also has heads of agreement to buy between 38 per cent and 54 per cent of the remainder of the company equity held by the Panini family.

It is believed that the deal will be signed next week giving Mr Maxwell a further 40 per cent of the company for £25.5m, and a total stake of 70 per cent of Panini for £51m.

Philips to close Croydon plant and shed 500 jobs

By Terry Dodsworth, Industrial Editor

PHILIPS, the Netherlands-based electronics group, is closing its television assembly plant at Croydon, Sussex, as part of the sweeping re-organisation of its activities in Europe. About 500 jobs will be lost.

The closure will end 32 years of production at the factory, which opened in the heyday of the post-war consumer products boom to make radios, radiograms and television sets. It follows Philips' withdrawal from semiconductor production at its Southampton plant earlier this year with the loss of about 400 assembly jobs.

The move stunned workers at Croydon, where Philips has invested £9m in the last five years, and was immediately attacked by union representatives. Mr Digby Jacks, regional officer of the MSF technology union, said that Philips' withdrawal was "disgraceful". It left the company, Europe's largest electronics group, without any consumer electronics production plants in Britain.

"I shall be taking the issue up with fellow European trade unionists at the meeting of the European Metalworkers' Federation in Luxembourg next week," he said.

Philips said closure was necessary because cost pressure in the industry and the need for rapid model changes dictated plant capacity of about 1m units a year. The Croydon facility can produce up to about 500,000 models a year, but has recently been manufacturing about 350,000.

The company added that it was continuing to invest heavily in the UK electronics industry, where it had spent a significant part of its budget over the past five years in high technology sectors such as telecommunications, scientific equipment, electronic components and medical electronics.

Philips has recently come under great pressure to reduce costs and streamline its activities because of sluggish profits and a wilting market performance under pressure from the Japanese electronics groups. These problems have been particularly acute in the UK television market, where Japanese producers have established several factories.

Mr Cor van der Klugt, chairman, who recently criticised the UK Government for welcoming Japanese consumer electronics manufacturers, has announced plans to reduce group employment by a total of 20,000.

The Croydon closure, to be concluded in December, forms part of these proposals, which will also see Philips' colour television activities concentrated at three European plants, in Belgium, France and Italy, each capable of manufacturing more than 1m units a year.

Philips will remain the largest producer in Europe – and the world – with a European market share of more than 30 per cent including sales for Grundig, in which it has a 32 per cent stake. Thomson of France, which recently acquired Ferguson in the UK from Thorn EMI, is Europe's second largest manufacturer with about 18 per cent of the market.

SEC denies Drexel charges depend on Boesky evidence

By Janet Bush in New York

THE US Securities and Exchange Commission said yesterday that none of the charges it has brought against Drexel Burnham Lambert, the Wall Street investment bank, rested solely on evidence provided by Mr Ivan Boesky, the arbitrageur convicted of insider trading.

Mr Gary Lynch, the SEC's director of enforcement, also expressed confidence that the agency has a strong case against Drexel, when he testified before Congress to the House Telecommunications and Finance sub-committee. He said the investigation had been so lengthy because the SEC had waited until it had solid cases it could prevail on in court.

Drexel Burnham Lambert has insisted that none of the SEC's charges will stand up and has attempted to discredit the Federal agency's case on the ground that it rests entirely on evidence from Mr Boesky, a convicted felon.

It is still unclear whether criminal charges will be brought against Drexel Burnham Lambert and Mr Michael Milken, head of its junk bond department.

Mr Milken's attorney declined to comment on a US press report that the US Attorney for Manhattan had issued "target letters" late on Wednesday night to Mr Milken and four others charged by the SEC.

The report said the letters formally indicated that Federal prosecutors would seek criminal charges within a month from the Grand Jury which has been investigating Drexel for two years. It said that Drexel Burnham Lambert itself had not been sent a target letter, but could still be named a target after the Grand Jury hears more testimony.

The issuing of target letters would suggest that the long-running criminal investigation into Mr Milken and his associates, headed by Mr Rudolph Giuliani, the US attorney, is complete.

Mr David Ruder, SEC chairman, also testified to Congress yesterday. He said the huge resources expected to be devoted to the legal action against Drexel Burnham Lambert would mean that the SEC would not be able to pursue "other activities". He again asked Congress for additional funding.

UCW studies post strike deal

By Charles Leadbeater, Labour Correspondent

PROPOSALS which the Post Office says would provide a basis for ending the strike by more than 100,000 postal staff, were last night being considered by Union of Communications Workers leaders.

The proposals had been agreed by negotiating teams from both the union and the PO after 40 hours of intensive talks, the PO said. It had indicated to the union that it was happy to endorse them.

They gave "a way forward for negotiations on the central issue of pay supplements for new recruits in areas where it is difficult to attract and hold new staff, and for a return to work of postal staff on strike."

Talks between the union and the PO on the dispute were adjourned yesterday morning. Both sides said these had progressed.

It was understood that Mr Alan Tuffin, union general secretary, last night presented the union's executive with a report containing substantive proposals on three issues:

- Arrangements to pay the special supplements to ease recruitment in the south east.
- Use of casual workers to clear the backlog of mail.
- The relationship of the deal to London-weighting payments and nationally-negotiated pay rates.

The PO parcels division, which does not suffer the same recruitment and retention problems as the letters division, is understood to have agreed to use of casual staff, which would probably allow parcels staff to return to work.

The PO negotiating team, led by Mr Bryan Roberts, director of personnel for the Royal Mail, was reporting to Sir Bryan Nicholson, PO chairman. It seems likely there will be further talks this weekend.

Alice Rawsthorn writes: Of 82 main sorting-offices, Belfast alone was working yesterday, the PO said. More than 100m letters were trapped in the mail system.

Fewer than half the 1,500 letter-handling offices in the UK were operative. Most were small, rural delivery-depots.

Effects of postal strike, Page 5; TNT chief profile, Page 7; Crisis checklist for strike, Weekend FT Page IV.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
RWE Ord	240.8	+	5.8
Due Babcock	174	+	2
Viag	227.5	+	1.5
Falls			
Henkel	457	–	7.5
Thyssen	147	–	2
Mannesmann	167	–	1.8
NEW YORK ($)			
Rises			
MSI Data	17⅜	+	6⅜
Macmillan	83	+	2¾
Polaroid	42⅛	+	2¼
Falls			
Carlt Comm	20⅝	–	3⅛
Inco	26⅜	–	⅞
Plantronics	25½	–	1
PARIS (FFrs)			
Rises			
Vallourec	145	+	6
GTM-Entrep	619	+	16
Falls			
CCF	758	–	40
Spie-Batig	397	–	17
Pechelbron	1079	–	41
Carrefour	2420	–	90
TOKYO (Yen)			
Rises			
Inui Steam	960	+	76
Toyo Tire	595	+	42
Komatsu Con	1610	+	90
Falls			
Honshu Che	1110	–	100
Chiyoda Shi	601	–	50
Toyo Alumin	950	–	70
LONDON (Pence)			
Rises			
Capital Radio	338	+	9
GWR Grp.	535	+	40
Glaxo	991	+	10
Lonrho	261	+	11
Marley	152	+	9
Pearl Grp.	474	+	12
Radio Clyde	195	+	7
Falls			
Amersham Int.	572	–	23
Brit. Arrow	97	–	7
Carlton Comms.	585	–	99
Greenall Wh'ley	207	–	11
Laird Grp.	245	–	12
P & O Defd.	533	–	11
Rosehaugh	613	–	20
THORN EMI	595	–	15
Ultramar	204	–	8½
Wolstenholme R.	420	–	98

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	26	79	Dallas †	S	19	66	Madeira	S	34	93	Prague	S	17	63
Algiers	S	30	86	Dublin	C	15	59	Madrid	S	33	91	Reykjavik	Dr	11	52
Amsterdam	S	22	72	Dubrovnik	S	23	73	Majorca	F	30	86	Rhodes	S	26	79
Athens	F	27	81	Edinburgh	C	14	57	Malaga	S	27	81	Rio d'Janeiro		–	–
Bahrain	S	38	100	Faro	S	30	86	Malta	C	23	73	Rome	S	25	77
Barcelona	F	27	81	Florence	S	25	77	Manchester	F	16	61	Salzburg	S	20	68
Belfast	C	14	57	Frankfurt	S	21	70	Melbourne	F	18	64	S'Francisco †	C	14	57
Belgrade	S	21	70	Geneva	F	23	73	Mexico City		–	–	Santiago		–	–
Berlin	F	20	68	Gibraltar	F	24	75	Miami †	S	28	82	Seoul	F	29	84
Biarritz	F	21	70	Glasgow	F	14	57	Milan	S	24	75	Singapore	F	31	88
Birmingham	F	19	66	Guernsey	S	17	63	Montreal †	F	15	59	Stockholm	S	20	68
Blackpool	C	15	59	Helsinki	F	19	66	Moscow	C	11	52	Strasbourg	S	21	70
Bombay	F	29	84	Hong Kong	F	30	86	Munich	S	21	70	Sydney	S	22	72
Bordeaux	C	21	70	Innsbruck	S	21	70	Nairobi		–	–	Tangier	F	32	90
Boulogne	C	18	64	Inverness	C	14	57	Naples	F	25	77	Tel Aviv	S	30	86
Bristol	F	20	68	Isle of Man	C	15	59	Nassau		–	–	Tenerife	C	29	84
Brussels	S	21	70	Istanbul	R	16	61	Newcastle	F	15	59	Tokyo	S	28	82
Buenos Aires		–	–	Jersey	F	18	64	New Delhi	S	31	88	Toronto †	F	16	61
Budapest	F	18	64	Johannesburg	S	23	73	New York †	C	19	66	Tunis	C	28	82
Cairo	S	33	91	Las Palmas	F	29	84	Nice	F	24	75	Valencia	F	28	82
Cape Town	F	18	64	Leeds	F	17	63	Nicosia	S	27	81	Venice	S	23	73
Cardiff	C	18	64	Lisbon	S	33	91	Oporto	S	22	72	Vienna	S	19	66
Chicago †	S	14	57	Locarno	F	24	75	Oslo	C	18	64	Warsaw	F	17	63
Cologne	S	22	72	London	F	20	68	Paris	S	21	70	Washington †	F	17	63
Copenhagen	S	19	66	Los Angeles †	C	19	66	Peking	R	31	88	Wellington	S	11	52
Corfu	S	27	81	Luxembourg	S	20	68	Perth	C	17	63	Zurich	S	20	68

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Carlton Continued from Page 1

"the nuts and bolts of the screen entertainment business" and avoiding what he regards as the volatile high risk end such as large scale film production.

Carlton, which had pre-tax profits of £33.7m on sales of £112.3m in the 12 months to September last year, is involved in everything from television advertising and programme production to the manufacture of sophisticated video equipment.

Mr Green has visited all Technicolor's plants and met all its senior managers.

"We would like to feel we could improve considerably the way they are running the business but it is a very cost effectively run business," he said.

Mr Green emphasised that the expansion of Carlton's activities in the film and television services industry would help rather than hinder its longer term ambitions to become a major broadcaster.

"Because we have bought a cash generating, because we have underpinned Carlton's earnings, I believe our interest in television, particularly UK television, is as vital as it ever has been," he said.

Training Continued from Page 1

to merge the SDA and Training Commission in Scotland and this could not be fitted into the parliamentary programme until the 1989-90 session of parliament. However, if there were a consensus in Scotland for the scheme, aspects of it could be implemented earlier.

Mr Hughes' proposals have been endorsed by the CBI Scotland and have received a cautious welcome from the Scottish Trades Union Congress and the Labour Party. So far, however, there has been little formal consultation by the Government.

Mr Rifkind would not comment on whether the new policy for Scotland heralded changes in the structure of the Training Commission south of the border and the Department of Employment had no information on this. Mrs Thatcher called the scheme "a Scottish solution to respond to Scottish needs."

The Scottish Secretary presented the scheme as one of decentralising administration from London to Scotland. He rejected suggestions that it was a corporatist proposal and said the involvement of business people in the official training operation amounted to a form of privatisation.

Mr Rifkind disagreed with suggestions that businessmen would have neither the time nor the inclination to become involved in the scheme. He thought they would do so out of self-interest as skill shortages intensified.

Quayle at centre of allegations over law school place

By James Buchan in Canton, Ohio

MR DAN QUAYLE, Republican nominee for the US vice-presidency, was at the centre of another possibly damaging controversy yesterday. It followed allegations that he had entered law school in 1970 through a special "minority" programme designed to help needy and black students.

The latest allegations – Mr Quayle has already been accused of pulling family strings to advance his legal career and to avoid Vietnam war service – were made in the Cleveland Plain Dealer newspaper.

They are embarrassing to Mr George Bush, the Vice-President and Republican presidential nominee, because the Reagan Administration has been accused of doing little to advance blacks and minorities.

Mr Quayle told reporters accompanying him on a campaign trip: "I got into (Indiana University) law school fair and square and I did rather well there."

Charges that Mr Quayle used the influence of his Indiana publishing family to enter the National Guard and avoid Vietnam service were made immediately after his nomination at the Republican Convention last month.

As he toured a steel plant in Massillon, Ohio, yesterday morning, a small group of Vietnam combat veterans demonstrated outside the gates with a placard saying: "What is a quail? A rich chicken."

The Plain Dealer said that in 1970 the special programme opened places for Mr Quayle and 12 other students whose entrance exam marks had been too low. Mr James Quayle, the candidate's father, has said that his family made contributions to Indiana University at that time.

The newspaper quoted Mr Cleon Faust, dean of the law school, as saying that the programme had been designed to help blacks.

However, the Plain Dealer also reported that Mr Charles Kelso, the programme's administrator, had said few blacks or people from other minorities had actually applied.

GrandMet raises stake in distiller

By Lisa Wood

GRAND METROPOLITAN, the UK drinks group, yesterday increased its stake in Irish Distillers from 12.1 per cent to 20.1 per cent, giving it the power to stop Pernod Ricard from gaining full control of the distiller.

Under Irish law, a company needs acceptances from 80 per cent of shareholders before it can apply for compulsory acquisition procedures.

GrandMet also announced yesterday that it had asked the European Commission to outlaw the tactics used by Pernod Ricard last weekend to gain irrevocable acceptances from a majority of shareholders before making a formal bid.

GrandMet's latest share purchases put it neck and neck with Pernod Ricard, without counting two irrevocable acceptances claimed by Pernod Ricard, but the subject of High Court proceedings.

FII Fyffes, the Dublin fruit group, is contesting in the High Court Pernod Ricard's claim to its 20 per cent stake, while a 7.4 per cent stake held by Irish Life is conditional upon FII Fyffes acceptance of Pernod Ricard's offer.

Pernod Ricard on Monday said its own 5 per cent stake, added to irrevocable undertakings it claims were secured on Saturday, gave it a 51.8 per cent stake in Irish Distillers.

GrandMet's complaint to the EC alleges that the arrangement between Irish Distillers and Pernod Ricard had as its object and its effect the elimination of competition in the bidding process.

It also claims that the irrevocable undertakings between Pernod Ricard and the shareholders prevented all shareholders from being able to consider GrandMet's higher offer.

Will Dawkins writes from Brussels: European Commission officials said they had not yet received the complaint, but said any such complaint would be examined closely.

EC competition rules outlaw any anti-competitive agreement, such as the abortive consortium bid for Irish Distillers by three big drinks companies, including GrandMet, which was blocked by the Commission last month.

THE LEX COLUMN

Carlton goes for the big picture

One of the characteristics of a bear market is that no company – not even Carlton Communications – can hope to make a great big US acquisition for shares and get away with it. Indeed, it says much for Carlton's fan following that its quintessentially bull market acquisition of Technicolor and £364m rights issue were not still worse received. As it was, the shares dropped to 6 per cent below the theoretical ex-rights price, leaving the underwriters just enough room to breathe.

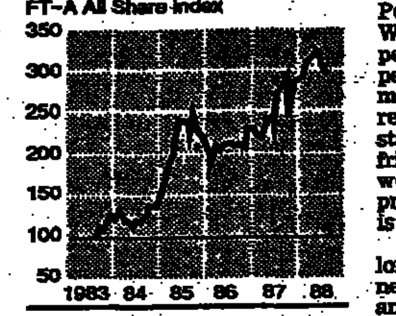
As the smooth-talking Mr Green explains it, the acquisition of Technicolor will be glorious because the market for video cassettes is growing at a rip-roaring pace in the US, with hitherto untapped opportunities for expansion in Europe, and because Technicolor has a strong brand name that will help Carlton's own businesses in the US. Moreover, on an exit p/e of 14, the deal will improve earnings, and although it will increase gearing to about 55 per cent, the combined group will throw off enough cash to repay all its borrowings in 18 months' time.

In a bull market, that account might have delighted shareholders, who after all have had every reason to believe Carlton knows what it is doing. Instead, the City was left only semi-convinced, worried about the effect on margins from savage price cutting in videos, and a little sad to see Carlton moving away from some of its more glamorous, faster-growing television services into a highly competitive, mass volume business.

Still, whatever the worries for the longer term, the thing looks safe for the time being, and failing another bad fall in the market a respectable number of shares are likely to be taken up. At the rights price, the shares are on a p/e for next year of 11 which, compared to ratings in the high teens of just a few months ago, may tempt even those who wished that Carlton did not feel quite so omnipotent.

FT Index fell 3.9 to 1,386.5

Carlton Communications
Share price relative to the FT-A All Share index



Markets

Given the apocalyptic mood of the London market a couple of days ago, it is odd to reflect that the FT-SE index ended the week only 8 points lower than it started. Investors are now subject to conflicting pressures – an intellectual conviction that equities are cheap, and a more visceral fear that they might get cheaper. The mid-week collapse, so curiously at odds with the flood of excellent company results, had something to do with the market scenting the approach of £0.5bn of rights issues. But there is also a simpler explanation: market makers have been obliged to drop their prices through sheer lack of business.

It is sadly apparent that the decline in volume is continuing. In August, client business averaged £628m per day, the lowest since just before Big Bang, and so far in September has fallen a further £50m. Figures from Wood Mackenzie, expressing daily turnover as a percentage of London's total market capitalisation, show the underlying position as even worse. Since the middle of August, the proportion of the market being turned over each day has been running at an average 0.16 per cent, the lowest level since mid-1984 and just half the level of a year ago. It is a grim thought that when Morgan Grenfell spoke this week of "containable losses" in securities trading in the first half of 1988, it was reporting on what seems in retrospect a period of comparative affluence.

The key point in this viciously circular process, of course, is when investors decide to move in. At the root of their present loss of nerve seems to be lack of conviction that the Government's medicine is working on the economy, and indeed a feeling that the cure may be worse than the disease. Certainly, it is hard to commit money when the next move in interest rates is expected to be up; but those who believe that the market is fundamentally cheap should reflect that when the bounce comes, it could be too late to buy.

Stake-building

While the institutions may be happy to sit on the sidelines, the more adventurous predators regard the present depressed conditions as a glorious buying opportunity and have been busily topping up their stakes in a variety of household names ranging from Pearl Assurance to Taylor Woodrow. The latter has outperformed the market by 50 per cent over the last couple of months, and despite P&O's repeated assertions that its stake is nothing more than a friendly trade investment, the weakness of its own share price suggests that the market is beginning to have its doubts.

At around £6 per share, Taylor Woodrow is already worth nearly half as much as P&O, and it may already be beyond the latter's reasonable grasp – hence the market's nervousness at the continued share purchases. Even more mystery surrounds the evident stake-building in Lonrho, which jumped by 11p to a 1988 high of 261p yesterday. It has outperformed the market by 13 per cent over the last month, and while its earnings are on an improving trend, it has been a very long time since it last traded on a market multiple. Lonrho may still stand at only half its break-up value, but it has long been considered bid-proof due to a combination of Mr Tiny Rowland's own substantial stake and a loyal band of small shareholders. However, the mischievous suggestion yesterday was that perhaps the Sultan of Brunei may be contemplating using some of his $25bn fortune to silence one of his most vociferous critics.

Racal

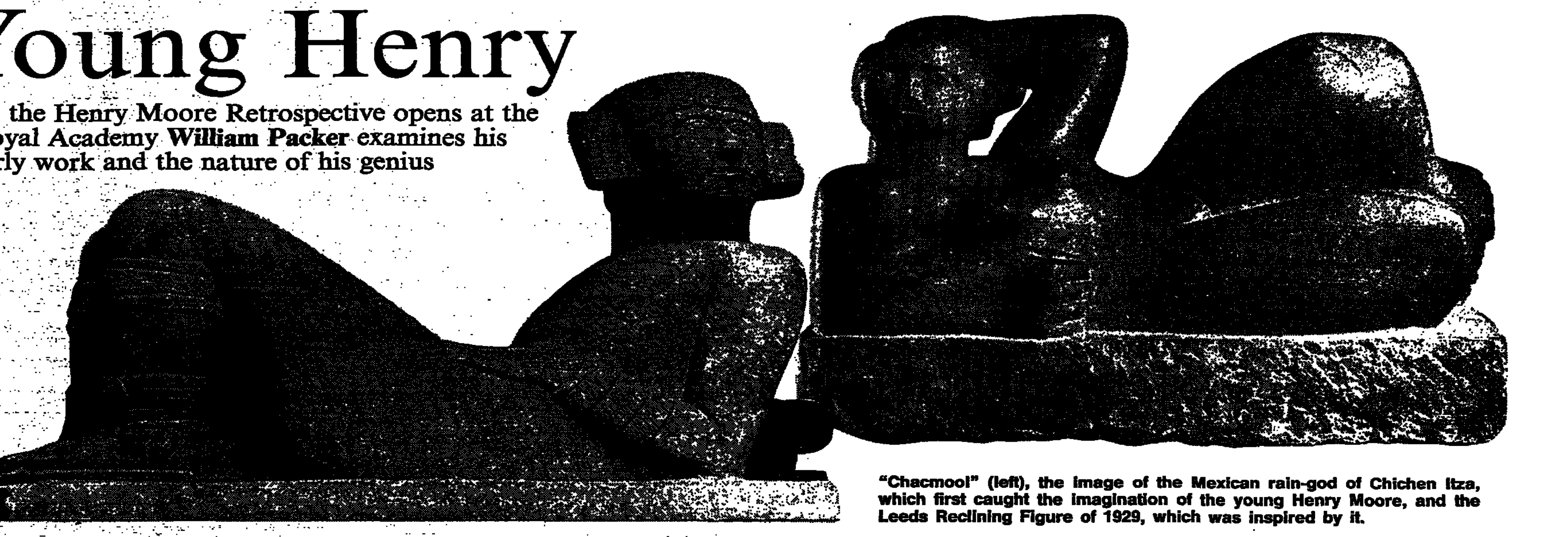
The Racal share price has dropped by a fifth from its recent peak, and the euphoria which greeted its plans to float off a minority stake in its Vodafone business has almost evaporated. Indeed, the group's current market capitalisation is now less than the more optimistic assumptions about the value of Vodafone on its own. There is nothing new about suggestions that Oftel may one day open up the cellular phone business to new competitors. However, the recent weakness in the Racal price reflects a more genuine concern that Racal's highly paid advisers may not be able to deliver as high a price as they promised for Vodafone. The consolation for shareholders, if not Racal management, is that if the flotation were to flop there are a number of predators waiting in the wings to underpin Racal's share price.

Weekend FT

Section II Weekend September 10/11, 1988

Young Henry

As the Henry Moore Retrospective opens at the Royal Academy William Packer examines his early work and the nature of his genius



"Chacmool" (left), the image of the Mexican rain-god of Chichen Itza, which first caught the imagination of the young Henry Moore, and the Leeds Reclining Figure of 1929, which was inspired by it.

HENRY MOORE'S place in art history is paid its full due next week by a full retrospective exhibition at the Royal Academy, Burlington House. Conceived to mark the 90th anniversary of his birth, in the event, the exhibition is a splendid memorial to the life's work of one of the 20th century's greatest artists.

By the time he died in 1986 he had for some 40 years enjoyed the widest international recognition: yet had the bomb which devasted his Hampstead studio in 1940 destroyed him too, we would, I believe, still be celebrating a great artist and sculptor. For by 1940 he had carved out for himself, in every sense, the essential testament by which we know him.

This is not to say there was nothing more to come of true originality, but 1940 marks an hiatus in Moore's working life. He was then 42 and free, at last, of teaching. Yet for the next three years he would make no sculpture but only draw. At the end of the Thirties he was still a figure of notoriety, unrepresented in the national collections, still the embattled modernist against the philistine.

The Second World War ends with him something of a figure within the establishment, at least of the art world. He was a Tate trustee, member of the infant Arts Council, a spokesman not just for himself but for the whole community of modern artists. His wartime drawings of Londoners sheltering in the Underground and miners down the pit had extended public sympathy for contemporary British art.

Moore had come a long way in a few years but it is interesting to recall just how slowly he developed before he could move so fast and, indeed, how late he started. Once begun, he was most certainly a committed and positive student. He always maintained that it was hearing, as a child at Sunday school, that Michaelangelo was the greatest sculptor who ever lived, that first fired his own ambition. But, he came to his vocation late, already 21 when he enrolled at the Leeds School of Art in September 1919. He was the typical mature student of his time, an ex-soldier harrowed by the experience of battle — he had been gassed at the Battle of Cambrai late in 1917 and invalided home — and impatient to get on with his real life.

He spent two years at Leeds, coinciding for the first with Barbara Hepworth, some five years his junior, who preceded him to the Royal College of Art in London. Was it her precocious example that spurred him on? There hadn't been a sculpture school at Leeds. "I think they started the sculpture department purely and simply because I asked to do sculpture . . . What was ordinarily supposed to be a two-year examination course I squeezed into one year and on it won a Royal Exhibition for a place at the Royal College".

He went up to the college in 1921 and graduated in 1924. There he devoted himself to the practice of direct carving, in opposition, almost on moral principles, to what he felt were the debased orthodoxies of copying and exact measurement. One of the most beautiful of his surviving student works is the copy he made of the head of the Virgin after the marble relief by the 15th century Florentine, Domenico Rosselli, which then as now, hangs in the V & A. But he made it not under protest exactly, but certainly as a demonstration that his engagement with primitive sculpture and direct carving was not founded on any technical inadequacy or evasion.

He refined his techniques and in the evenings drew from the life model in the painting school, acquiring a knowledge of the figure he was never to lose. His life drawings throughout the 1920s, with their sculptural simplicity and strength of statement, are among the most consistent and fully realised of all his works of that time.

But it was as a student at the college, or rather at the British Museum which he visited whenever he could, that he discovered for himself sculpture in the broadest sense, of other cultures and other times.

And from the first it was ancient Mexican art which affected him most. " . . . I admit clearly and frankly that early Mexican art formed my views of carving as much as anything I could do." But already his aims as a student were at odds with his personal interests. " . . .there was a bitter struggle within me, on the one hand between the need to follow my course at college in order to get my teacher's diploma and, on the other, the desire to work freely at what appealed most to me in sculpture . . ." But he came to realise the value of academic discipline and won his travelling scholarship to Italy on academic grounds.

Moore took up that scholarship in the first half of 1925. "I had associated classical and renaissance art with academism and those plaster casts I had to copy (at Leeds) . . . In fact when I learned my travelling scholarship should be spent in Italy I at once pleaded to have it rearranged for Paris. But nothing could be done . . . so I had to go to Italy against my will. But thank goodness now I did go."

His prejudices hardly evaporated overnight: "I have until now (mid-March) been travelling with the speed of an American tourist . . . In Italy the early wall paintings . . . up to and including Masaccio's are what have interested me most. Of great sculpture I've seen very little . . . What I know of Indian, Egyptian and Mexican sculpture completely overshadows renaissance sculpture — except for the early Italian portrait busts, the very late work of Michaelangelo and the work of Donatello — though in the work of Donatello I think I see the beginning of the end — Donatello was a modeller, and it seems to me that it is modelling that has sapped the manhood out of Western sculpture."

There speaks the carver, of course, but also the sculptor who would come himself to modelling in time, overstating his case in bleak desperation, perhaps, at the growing awareness of his grossly mistaken assumptions.

"For about six months after my return," he recalled, "I was never more miserable in my life. Six months' exposure to the master works of European art which I saw on my trip had stirred up a violent conflict with my previous ideals. I couldn't seem to shake off the new impressions, or make use of them without denying all I had devoutly believed in before. I found myself helpless and unable to work."

It must have seemed to him at that time that his early career must be made as a teacher. And he was already 27 years old.

He had no immediate idea of what to do but then began to find his way out of his difficulty by way of those earlier interests. He came across an illustration of the "Chacmool", a figure of a rain-god, "and its curious reclining posture attracted me — not lying on its side, but on its back with its head twisted around." By 1946 he could say that until his wartime shelter drawings he had never felt free to use what he had learned in Italy — "to mix the Mediterranean approach comfortably with my interest in the more elementary concept of archaic and primitive peoples. I feel the conflict still exists in me and I ask myself: 'Is this conflict what makes things happen?'"

The simple answer is yes. Yet, we can see now that the essential reconciliation of *conflicting and opposing elements began* even as he was travelling through Italy. The effects were to be manifest in the work soon enough, only processed and realised not at a conscious but at an instinctive level.

By 1960 he could rationalise it all quite easily. "It seems to me now that this conflict between the excitement and great *impression I got from Mexican sculpture* and the love and sympathy I felt for Italian art, represented two opposing sides in me, the tough and the tender, and that many other artists have had the same two conflicting sides in their natures. Blake, for example, was torn between the two . . . Goya . . . Shakespeare." And as for Michaelangelo, "Only at the end of a long life, in his greatest and last works, are these qualities to become a noble, rich-blooded maturity of strength mingled with melancholy . . . Perhaps an obvious and continuous synthesis will derive in my own work. I can't say — I can only work as I feel and believe at the time I do the work. I can't consciously force it to come."

Interesting, then, to look back more than 30 years from that late position, first to his chancing upon the picture of the "Chacmool", that sinister, implacable rain-god, hungry for sacrifice, which so caught his undecided imagination, and then to see what came of it.

He did get back to work before too long, with energy and confidence enough to get the work together for his first one-man show, which was was held at the Warren Gallery early in 1928 in a flurry of controversy. Later that year Epstein handed on one of the minor commissions for the relief carvings on Charles Holden's new headquarters for the London Underground at Saint James's Park. Moore was beginning to make headway.

In his work at that time, the later 1920s, he began *to settle on the imagery derived* from the figure — the masks and heads more or less abstracted, the torso, mother and child, the standing figure — to which he would return again and again throughout his life. And among them were an essay or two with the reclining figure.

The "Chacmool" may well have been at the back of his mind as he made each one, but already we look in vain for any open conflict between tough and tender, hard and soft, the violent and the sentimental, though image and reference are plain enough. Already that synthesis that he can articulate only so much later is beginning to take place.

But it still took time. It was not until 1929, some three years after that first glimpse of its image, that the example and stimulus of the "Chacmool" are to be seen both openly expressed and fully assimilated in the very first undoubted masterpiece of Henry Moore, the reclining figure of 1929, now in the Leeds City Art Gallery. This figure too lies on its back, its elbow on the ground and its simple, formalised head, with its staring eyes, turned sharply foursquare across its right shoulder, and the knee is raised. But only one knee, for the legs are twisted away to one side, and the left arm too is raised, with the hand placed to the back of the head, which gives to the whole figure the gentlest inflexion of rise and turn. And of course it is a female figure — vive la difference: for what a difference that makes in terms of gentleness and accommodation of spirit, with yet no lessening of sculptural force or formal presence.

A true expressive synthesis has been achieved even without the artist being fully aware of what he has done. The idea and its formal embodiment are entirely at one, held easily in an eternal, mutually sustaining equilibrium.

■ *The Henry Moore exhibition is sponsored by Salomon Brothers and The Henry Moore Foundation and runs at the Royal Academy from September 16 until December 11. Full admission £3.50.*

The Long View

When equities are tied by bonds

BARRY RILEY

Short-term interest rates have been extremely unstable while the long-term capital markets proved very stable. But a testing few months lie ahead

IT HAS not been because of the heat, but the UK stock market has wilted this summer. The season has brought sharply higher short-term rates, and autumn promises absolutely no respite.

All the same, the market remains well within its narrow 1988 trading range. As measured by the "Footsie" 100-Share Index the London equity market started the year at 1712, hit a low of just under 1700 in February and then haltingly rallied to a high point of 1879 by midsummer. Now it has tracked back to under 1750, but how different that confinement within a narrow range is from the extravagant swinging of 1987, when the Footsie veered wildly from a high of 2443 in July to a low of 1565 early in November.

The steadiness of UK equities this year reflects positive factors like the strength of growth of earnings and dividends, but it also owes much to the extraordinary stability of yields at the long end of the gilt-edged market. Long yields have only risen modestly since the spring, and in fact are lower than they were a year ago.

Yields on gilts and equities are locked into a flexible but consistent relationship, depending on factors like dividend growth prospects and perceptions of risk, and while long fixed rates stay close to 9½ per cent there is no chance of a really sharp fall in equities.

Why are long rates so steady? One explanation is that the markets are confident that the upturn in inflation is only temporary — a "blip" as Nigel Lawson likes to put it. Although City economists are now forecasting 6½ per cent inflation early next year, a point or more of this represents the reversible effects of mortgage rate increases and some of the optimists are reckoning that inflation could be back down to 4½ per cent by the end of 1989.

Another interpretation, however, relies upon the rather strange technical position at the long end of the gilt-edged market. With the Government in strong financial surplus — it appears that the public sector debt repayment could be £8bn or more for 1988-89, admittedly helped by privatisation proceeds — it is no longer a net borrower in the gilt-edged market. Although it has been issuing new gilts from time to time in order to finance redemptions (or to fund operations in the foreign exchange markets when it was trying to hold sterling down) it is keeping the gilt-edged market short of stock.

How different this is from the pattern in the 1970s when the Government was running such a huge deficit — at the peak in 1975 the equivalent in today's money of £32bn. The authorities were then repeatedly forced to take the initiative and crank up long yields by a point or even two in order to overcome the institutional buying strikes.

This was the famous era of the "Grand Old Duke of York" tactic, whereby interest rates were marched up to what institutional fund managers could be convinced was the top of the hill, and then promptly marched down again. The Government was forced to take the initiative if it was to be able to maintain a semblance of monetary control.

But now that the Government is in the business of reducing the National Debt there is nobody to push long rates upwards. Commercial borrowers drop out of the market at fixed rates of much more than 10 per cent, preferring to raise money on a floating rate basis until conditions become more favourable. The market is therefore dominated by existing investors, who obviously have no interest in cutting the value of their holdings.

From this monetary point of view this downward-sloping yield curve — whereby short rates are now two points higher than long rates — has the disadvantage that growth of liquidity is encouraged. There is now an opportunity cost involved in holding long gilts. Can it be long before enterprising corporate treasurers are floating 20-year bonds in order to invest the proceeds at a profit in the short-term money markets?

There are indeed positive opportunities thrown up, such as that it is now cheaper to fund mortgages long-term than short-term, so that fixed rate borrowing, unusually, is cheaper than floating rate. But it would take billions of pounds of such funding to flatten out the yield curve.

This leaves long gilts in a kind of unstable equilibrium. So long as the market is unchallenged it can hold steady. But a serious shock might push long yields up quite a long way. One immediately thinks of domestic economic or political shocks, but the potential external problems should not be forgotten. What would happen, for instance, if US long bond rates were to rise sharply? Whatever the luxuriant surpluses which cushion the UK Government, the deficit-ridden Americans are increasingly at the mercy of their creditors. The Duke may yet reappear as the Dook. And if he does, can the gilt-edged market brush a rise in dollar rates aside?

The key to the behaviour of UK equities may therefore lie in the gilt-edged market. Of course, a Government policy based upon high interest rates and designed to squeeze consumer spending and corporate profits is bound to damage corporate sector prospects, but the bigger danger is that long rates will go up. It is primarily this factor which has pushed equity yields up to 6 per cent or more in all the major bear markets of the past half-century (the present yield is around 4½ per cent).

How, then, can the Government get a grip on the accelerating trend of pay levels, which are now likely to be further stimulated by the tightening of the labour market and the demands of union negotiators in the light of worsening inflation? In the past it has usually required either official wage controls or a savage recession to reverse an upward trend in pay settlements. Neither seems to be on the Government's agenda.

There is a lot to play for in the next few months.

CONTENTS

RESULTS DUE

Smoother ride for air giants

WITH MEMORIES of sunny days at the Farnborough International Air Show still fresh in the mind, ROLLS-ROYCE and BRITISH AEROSPACE will be reporting interim results next week. On Tuesday, BAe should announce pre-tax profits of about £100m – putting behind it the £330m worth of provisions taken in last year's final results against the weak dollar's effect on the civil aircraft side. This caps a hectic summer for the company during which it has tied up the purchase of Rover and secured the lion's share of a massive Saudi arms deal.

Two days later, RR should be unveiling pre-tax profits of about £70m. The company has seen encouraging levels of order-intake on both the civil and military engine sides, but pricing competition remains fierce.

□ BRITISH & COMMONWEALTH HOLDINGS, the financial services group, forecast interim profits of not less than £80m before tax when it issued its offer document for Atlantic Computers a month ago. That compares with £71.1m in the first half of last year. Analysts expect the figures – due on Thursday – to include some property profits, and will be looking for positive statements from chairman John Gunn to counter the poor performance of B & C's shares in the first half of the year.

□ UNITED BISCUITS, the snack foods and restaurant group, is expected to announce interim pre-tax profits on Wednesday of about £66m for the half-year to June 30, against £59m before tax in the first half of 1987. The UK operations are expected to have provided the main impetus for growth – Terry's should have performed strongly on the back of lower cocoa costs.

□ Three substantial retailers produce interim results next week. At RATNERS, the jewellery group, the majority of profits normally falls into the second half of the year (ie, the Christmas period). Thus, Thursday's interims are expected to be around £5.5m, compared with £2.65m last year.

WOOLWORTH'S figures, due on Wednesday, are expected to reveal profits of between £35m and £40m, compared with last year's interim profits of £27m, excluding property disposals. Comet is expected to have performed sluggishly but B & Q, the DIY chain, should have been forging ahead.

WARD WHITE, the acquisitive group led by Philip Birch, is expected to announce on Tuesday pre-tax profits of £25.5m, compared with £20.1m in the same period last year. Payless and Halford are believed to have been trading well, but A. G. Stanley was acquired too late to make a significant contribution.

□ Drinks group GUINNESS'S interim figures, due on Thursday, are expected to show pre-tax profits of £175m-£180m.

□ RTZ is the world's largest mining company and, as such, is well-positioned to benefit from the recent turn-round in base metal prices. This has not shown through so far in the company's figures but interims due on Thursday should be excellent. Boosted by a first-time contribution from MK Electric, the company should report an increase in net attributable profits from £113m to somewhere between £170m and £190m.

□ Although gold prices have also risen over the past year, CONSOLIDATED GOLD-FIELDS' mining activities in South Africa are thought to have been hit by higher costs. Nevertheless, full-year figures out on Tuesday will include a first-time contribution from 49 per cent-owned Newmont in the US, and the recently-opened Chimney Creek mine in Nevada. The star performer, however, will be ARC (the former Amey Roadstone) and analysts expect an increase in net attributable profits from £135.4m to £213m.

Companies Staff

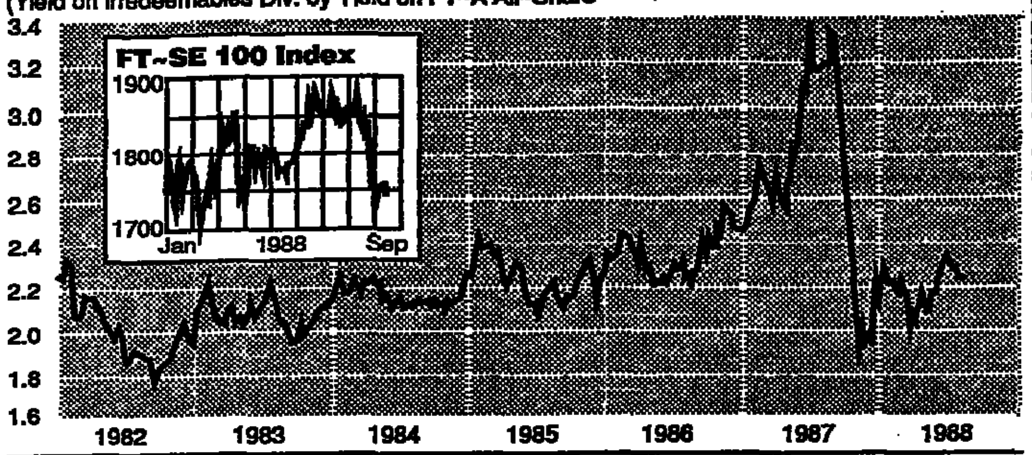
RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Armstrong Equipment	Tuesday	0.9	2.4	1.1
Bellwinch	Thursday	-	1.0	1.1
Consolidated Gold Fields	Monday	8.5	16.0	10.0
Cook DC Holdings	Monday	-	-	0.9
Dalgety	Monday	6.0	8.0	6.0
Goal Petroleum	Monday	-	1.0	-
Interlink Express	Tuesday	2.3	3.5	3.2
Kwahu Company	Tuesday	-	1.5	-
London Merchant Securities	Wednesday	0.8	2.0	0.8
Macro 4	Tuesday	1.1	1.7	1.5
Magnetic Materials	Monday	0.9	2.0	0.9
Merivale Moore	Monday	1.5	3.0	2.2
Northern Industrial Tst	Friday	5.0	12.9	5.5
Osprey Communications	Tuesday	0.5	2.0	1.0
Pacific Sales Organisation	Wednesday	1.0	-	1.0
Peters (Michael) Group	Tuesday	1.2	1.8	1.5
Precious Metals Trust	Tuesday	-	0.5	-
Sanderson Murray Elder	Wednesday	-	5.0	-
Scholes George H	Wednesday	4.5	9.5	5.5
Sirdar	Wednesday	1.6	3.5	1.6
Strata Investments	Thursday	-	0.5	-
Thorntons	Thursday	-	-	-
Westpool Investment Tst	Thursday	0.3	1.3	0.3
INTERIM DIVIDENDS				
Abbot Mead Vickers	Wednesday	1.8	2.7	-
Admiral Computing	Wednesday	-	1.5	-
Accord Publications	Friday	0.8	2.6	-
ASD	Monday	4.5	5.0	-
Associated British Ports	Thursday	2.5	-	-
Baird William	Wednesday	4.5	8.0	-
Bedford William	Friday	1.6	3.6	-
Blockleys	Wednesday	0.7	3.0	-
Brake Bros	Tuesday	0.6	1.9	-
Breedon	Friday	2.0	4.3	-
Brent Walker	Friday	3.0	5.0	-
British Aerospace	Tuesday	6.9	11.6	-
British & Commonwealth	Thursday	3.6	4.5	-
British Mohair Holdings	Thursday	1.4	6.1	-
British Vita	Monday	2.0	2.6	-
BTR	Tuesday	2.4	6.0	-
Candover Investments	Wednesday	3.0	6.0	-
Canning W	Wednesday	1.3	4.0	-
Capero Industries	Wednesday	0.7	-	-
Croda International	Wednesday	3.4	5.6	-
Delta	Wednesday	2.9	6.1	-
DRG	Wednesday	4.1	6.6	-
Elswick Group	Monday	-	0.3	-
Equity & General	Tuesday	0.4	1.3	-
Garton Engineering	Thursday	1.2	3.7	-
Gaskell Broadloom	Tuesday	3.2	4.4	-
Great Southern Group	Wednesday	2.0	4.0	-
Guinness	Thursday	2.3	6.2	-
Hall Engineering	Tuesday	4.6	7.4	-
Hall Matthew	Wednesday	1.9	3.5	-
Hewitt J & Son	Thursday	1.0	4.0	-
Hibernian Group	Tuesday	1.3	2.6	-
Huntleigh Technology	Thursday	0.5	-	-
Hyman	Monday	0.7	0.9	-
Ibstock Johnsen	Wednesday	1.5	2.5	-
Iceland Frozen Foods	Tuesday	1.4	2.4	-
Inchcape	Thursday	4.6	18.5	-
Ingham George & Co	Tuesday	1.3	2.0	-
Invergordon Distillers Hldgs	Tuesday	1.7	4.0	-
Jackson Bourne End	Wednesday	0.5	1.2	-
Jerry Group	Monday	0.5	1.1	-
Lancaster	Wednesday	-	2.1	-
Lifeshelf	Friday	1.0	4.5	-
Local London Group	Tuesday	3.0	4.5	-
London & Scottish Marine Oil	Tuesday	2.5	5.2	-
London Holdings Co	Wednesday	-	-	-
Matthews Bernard	Tuesday	0.6	1.1	-
Mayborn Group	Tuesday	1.2	1.3	-
McLaughlin & Harvey	Thursday	2.5	5.5	-
MY Holdings	Monday	0.4	-	-
Myson Group	Monday	2.0	3.4	-
Neill James Holdings	Thursday	3.0	5.0	-
Norfolk Capital Group	Wednesday	0.1	0.3	-
North Sea & General	Wednesday	-	-	-
Ocean Transport & Trading	Thursday	3.3	7.0	-
Page M Group	Wednesday	-	-	-
P&O	Wednesday	9.0	13.0	-
Perry Group	Thursday	2.0	3.3	-
Prudential Corp	Wednesday	3.0	6.5	-
Ratners Group	Thursday	11.5	22.5	-
Renwick Group	Wednesday	1.2	3.7	-
Rolls Royce	Thursday	1.7	3.5	-
RTZ	Thursday	5.0	8.3	-
Rugby Group	Monday	1.9	2.4	-
Ruda Tinsey	Friday	4.0	6.0	-
Savoy Hotel	Tuesday	-	-	-
Scottish Heritable Trust	Tuesday	2.0	3.0	-
Shell Transport & Trading	Thursday	16.5	31.5	-
Shires Investment	Tuesday	3.1	5.3	-
Spear JW & Sons	Wednesday	-	6.0	-
Spirax-Sarco	Wednesday	-	4.7	-
Sun	Monday	1.7	4.0	-
Sutherland Holdings	Monday	1.5	3.5	-
Taverners	Monday	0.3	0.8	-
Tibbett & Britten	Wednesday	1.5	3.0	-
Travis & Arnold	Monday	1.3	5.2	-
Trinity	Wednesday	0.5	2.5	-
Tyndall Holdings	Thursday	2.0	3.0	-
United Biscuits	Wednesday	4.0	7.0	-
Ward White Group	Tuesday	2.6	6.1	-
Willis Faber	Wednesday	3.8	7.8	-
Woolworths Holdings	Wednesday	3.0	6.0	-
Yelverton Investments	Tuesday	-	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

Yield Ratio

(Yield on Irredeemables Div. by Yield on FT-A All-Share



LONDON

Needed: a Houdini to solve the macro chaos

THE CONTRAST between the "real" economy – as reflected by corporate results – and the market's reading of it has rarely been more stark than it was this week.

In spite of a spate of strong interim figures and optimistic forecasts from some of the biggest names in industry, equities took fright on Wednesday and Thursday and dipped to a level not seen since February. The rout continued on Friday morning with the FT-SE 100 briefly touching 1717.7, more than 50 points below Tuesday's close.

Then, the market rebounded, clawing more than 20 points back by midday. The rot, it appeared, had gone far enough for one week.

The weakness of previous days had the effect of creating a rare near-unanimity among City analysts: on fundamentals, by most historical indications, the market is over-sold.

Even though Phillips & Drew, for example, is forecasting a slowdown in profits' growth from a heady 14 per cent in 1988 to 7 per cent next year, this still gives a prospective price/earnings ratio of 9.9 for this year, falling to 9.3 in 1989.

Such single-digit multiples have not been seen, notes P&D, since 1980, when profits really did collapse – a prospect that no-one, publicly, is expecting now. Moreover, says P & D, the ratio between gilt and equity yields has fallen close to historical lows and the prospective 5 per cent yield on equities is at a five-year high.

As a result, the broker says, institutions may now find sufficient upside potential to begin long-term accumulation.

Kleinwort Grieveson also looks to future dividends as a sturdy foundation for the market. It says that as profits' and earnings' growth slows, many companies will take the opportunity to reduce dividend cover – which is still above three times prospective 1988 earnings.

Significantly, all these bullish views are hedged with an important caveat, described by P & D as "macro chaos." Even though no one expected to see firm evidence yet that the summer's 60 per cent rise in base rates was having the desired effect of cooling demand, the week's signs were distinctly discouraging.

Retail sales leapt again in July by 2.4 per cent, and the CBI/FT Distributive Trades Survey found retailers confident about continued growth this month; indeed, their optimism was at a four-year high.

"The delicate task now facing the Government," says P & D, "is to defuse the crisis without bringing economic growth to a standstill, or being seen to make a U-turn, and achieve all this using only the battering ram of interest rate policy. Bring back Houdini!"

Against this background, it was unfair to read too much into the juxtaposition of strong results with jitters in the equity market. The results may have been good, but none dramatically exceeded expectations which had been built into prices for some time.

With popular attention fixed on the course of house prices, construction and building groups – including Blue Circle Industries, Costain and George Wimpey – were watched carefully. Wisely tempering their forecasts with caution, all saw no signs of a slowdown in one of the economy's most buoyant sectors.

Among financial companies reporting, Sun Alliance and Legal & General both pleased the market with interim advances but insurance broker Sedgwick saw pre-tax profits fall by 26 per cent.

Meanwhile, Morgan Grenfell, the merchant bank, could draw some comfort from profits of less than half the level in the same 1987 period. At least, they represented an improvement over the six-month period straddling the October crash.

Uncertainty about the short-term outlook for equities was reflected in two long-running bids. Cookson Group, the specialist metals and chemical company which was one of nine FTSE-100 companies to report results this week, on Friday passed up its last opportunity to increase a £25.6m offer for Wolstenholme Rink, the lithographic materials supplier.

Raine Industries, the housebuilder, also declined to raise its offer for Ruberoid, the roofing materials group, even after Tarmac won the target company's recommendation for higher terms worth £141m.

Raine, like Cookson, indicated it would walk away rather than overpay; it placed its main hope on a monopolies reference for the Tarmac-Ruberoid deal.

The most complex battle at the moment – the tussle over Irish Distillers between Grand Metropolitan and Pernod Ricard, with a supporting role for FII Fyffes – raged in the Irish courts and the chambers of the Takeover Panel, but was barely heard in the market.

Two UK companies hit the trail for California, determined to take large bags of London gold with them. Carlton Communications' £364m rights issue to finance its ambitious $780m planned takeover of Technicolor Holdings, the film processor and video cassette duplicator, was responsible for the market's early fall on Friday although, by mid-afternoon, the damage largely was limited to Carlton itself – nearly 100p lower at 585p.

Ultramar, the oil independent, bought a $440m refinery near Los Angeles. Calling for £130m from shareholders, Ultramar saw its shares fall by 16 per cent in two days.

Clay Harris

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1988 High	1988 Low	
FT Ord. Index	1396.5	-7.4	1514.7	1349.0	Cash calls/economic worries.
Barker (C.)	138	-22	180	110	WPP bid talks fail.
Carlton Comm.	585	-110	815	585	Cash call to fund US acquisition.
Dalgety	294	-33	388	272	Nervous ahead of Monday's figures.
Elliott (B.)	86	-11	102	70	US acquisition/rights issue.
Glaxo	991	+35	£11⅛	887	Migraine drug prospects.
Irish Distillers	432	+86	436	125	Grand Met. tops Pernod Ricard offer.
Jamesons Chocolates	325	+95	330	175	Bid from Bassett Foods.
Morgan Grenfell	250	-43	355	238	Interim profits 59% down.
RHM	357	-18	490	303	Rumours of rights issue.
Ruberoid	280	+9	285	125	Tarmac counter-offer.
Ryan Intl.	146	+25	157	88	Share exchange offer from Carless.
Taylor Woodrow	598xd	+23½	627	351	P & O bid speculation.
Ultramar	204	-47	315	173	Cash call to fund US acquisition.
Ward White	289	+20	341	245	Demand ahead of figures.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*							
Deposit account	3.80	3.66	2.93	monthly	1	-	0-7
High interest cheque	6.10	6.27	5.02	monthly	1	1,000-4,999	0
High interest cheque	6.50	6.70	5.36	monthly	1	5,000-9,999	0
High interest cheque	7.20	7.44	5.95	monthly	1	10,000-49,999	0
High interest cheque	7.70	7.98	6.38	monthly	1	50,000 minimum	0
BUILDING SOCIETY†							
Ordinary share	4.60	4.65	3.72	half-yearly	1	1-250,000	0
High interest access	6.50	6.50	5.20	yearly	1	500 minimum	0
High interest access	6.75	6.75	5.40	yearly	1	2,000 minimum	0
High interest access	7.25	7.25	5.80	yearly	1	5,000 minimum	0
High interest access	7.50	7.50	6.00	yearly	1	10,000 minimum	0
90-day	7.50	7.64	6.11	half yearly	1	500-9,999	90
90-day	7.75	7.90	6.32	half yearly	1	10,000-24,999	90
90-day	8.25	8.42	6.74	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS							
Investment account	10.00	7.50	6.00	yearly	2	5-100,000	30
Income bonds	9.00	7.04	5.63	monthly	2	2,000-100,000	90
Deposit bond	9.00	6.75	5.40	yearly	2	100-100,000	90
34th issue◊	7.50	7.50	7.50	not applic	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applic	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNTS							
Schroder Wagg	7.20	7.40	5.92	monthly	1	2,500 minimum	0
Provincial Bank	9.21	9.81	7.67	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS							
3pc Treasury 1986-89	10.03	8.73	7.95	half yearly	4	-	0
5pc Treasury 1992	10.53	8.43	7.17	half yearly	4	-	0
10.25pc Exchequer 1995	10.38	7.81	6.27	half yearly	4	-	0
3pc Treasury 1990	9.17	8.38	7.90	half yearly	4	-	0
3pc Treasury 1992	8.66	7.82	7.32	half yearly	4	-	0
Index-linked 2pc1992§§	10.18	7.68	7.38	half yearly	2/4	-	0

*Lloyds Bank. †Halifax 90-day; immediate access for balances over £5,000. ◊ Special facility for extra £5,000 §Source: Phillips and Drew. §§Assumes 5.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

Getting ahead through lagging

KEEPING TEMPERS cool at the Stock Exchange, and sailors warm on the high seas, are among the activities proving profitable for Chieftain, a Newcastle-based company that will be coming to the Unlisted Securities Market some time in the next two to three months.

Chieftain supplies specialist insulation and fireproofing services. When the new HMS Galahad left the Swan Hunter yard on the River Tyne, it carried £1m worth of fire, thermal and acoustic insulation applied by Chieftain. The company now is installing fire barriers in service ducts at the Stock Exchange in the City of London.

The three men at the heart of the business met when they were working for Cape Industries, the largest insulation contractor in the UK. Tony Fairlamb founded Chieftain in 1979 and in the mid-1980s approached two former colleagues, Peter Wardle and Bill Taylor, to come aboard, bringing management expertise and equity. In what was, in effect, a management buy-in, Wardle, 45, joined in 1984 and is now chairman and joint managing director. Taylor, 40, also joint managing director, followed the next year. Fairlamb, 58, is a director of one of Chieftain's subsidiaries, specialising in the marine side.

The company's record is handsome. In 1984, there were pre-tax profits of £3,000 on sales of £400,000. The following year, profits grew to £142,000 on sales of £2.7m. In 1986, profits were £210,000 on sales of £4.6m and, last year, profits rose again to £356,000 on a turnover of £7m. Wardle expects a similar level of growth this year.

Of the five sectors serviced by Chieftain, land industrial accounts for 50 per cent of turnover. This involves providing insulation – for pipes, boilers, turbines etc – and fireproofing, via a sprayed cement process, at food and drink manufacturing plants, power stations, chemical and petrochemical plants and oil refineries. Customers include ICI, Glaxo, CEGB and British Gas.

The marine side represents 20 per cent of sales. Chieftain serves all the major shipbuilders in the UK, providing insulation and fireproofing for merchant and warships. Offshore business accounts for another 20 per cent: working for all the big oil and gas companies, Chieftain outfits modules with ceilings, floors, walls, doors, windows and even bunk beds as well as insulation and fireproofing. The remaining 10 per cent comes from fireproofing and heating and ventilation insulation for offices, shops, schools and hospitals.

Chieftain reckons to be the fourth or fifth largest thermal insulation contractor in the UK in terms of sales, with a 2 per cent share of a market worth about £300m annually. Although it has less than 1 per cent of the £200m fireproofing market, this is a relatively new side for the company, which has eight branches – two in Newcastle plus Belfast, Glasgow, Teesside, Scunthorpe, Port Talbot, and London's docklands – and plans to open one or two more each year.

Hoare Govett is sponsoring the placing and 30 per cent of the enlarged equity is expected to be sold, raising about £2-3m for expansion.

Fiona Thompson

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m**	Bidder
Prices in in pence unless otherwise indicated					
AGB Research	220*§	215	214	94.84	Pergamon
Babygro‡	41	40	65†	4.31	Robt. H. Lowe
Beatson,Clark‡	375††§	355	288	27.84	TT Group
CASE‡	128	127	93	80.44	[illegible]
Camotech‡	125.3††	120	102†	8.77	[illegible]
Catalyst Comms.	50§	51	32	10.94	Holmes&Marchant
Dwek Group	150*	150	131††	33.5	[illegible]
Ealing Electro‡	102	105	98	10.72	[illegible]
Ellis & Gold‡	144††	140	138	41.87	Alexon
Falcon Inds.‡	95	100½	89	38.84	[illegible]
Gaynor Group‡	128*	133	120	6.2	[illegible]
Hard Rock Intl.‡	132*	130	118	48.85	Pleasurama
Hard Rock A‡	100*	96	89	14.07	Pleasurama
Hoskyns‡	410‡	406	295	184.4	Plessey
Hunter	310§§	309	223	274.85	Wickes
Irish Distillers	Ir525*	Ir432	Ir275	Ir330.1	Grand Met
Irish Distillers	Ir450*	Ir432	Ir388†	Ir283.0	Pernod Ricard
Lodge Care	151*§	147	151	11.4	Consortium
Martin Groome‡	284§§	256	230†	28.09	Waverley Cameron
Microsystems	235§§	229	213	32.50	Meggitt
Moorgate Group	99	97	116†	6.32	[illegible]
Newage Trans.‡	155*	156	123	18.17	Williams Hldgs.
Peachey Prop.‡	650*§	645	606	261.50	[illegible]
Pleasurama	251	197	226	501.82	Mecca Leisure
Pleasurama 7% Cnv	215	179	202	128.20	Mecca Leisure
Ruberoid	254††§	280	222	127.26	Raine Inds.
Ruberoid	280*	280	275	140.29	Tarmac
Ryan Intl.	155	146	130	76.80	Carless
Smallbone	500*	498	318	28.15	Williams Hldgs.
TR Ind. & Gen.	129½*	129½	128	880.53	Brit. Coal Pens.
Trent Hldgs.‡	182§§	183	182	12.52	Whitecroft
Wayne Kerr	110*	108	100	11.52	Farnell Elect.
Wolstenholme Rink	410††	420	348	25.70	Cookson

*All cash offer. †Cash alternative. ‡Partial bid. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 9/9/88. ††At suspension. §§Shares and cash.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Armitage Bros	May	60	(615)	1.0	(10.2)	2.5	(2.5)
ASW Holdings	June	13,200	(10,200)	10.3	(6.0)	4.4	(-)
Black Peter	June	8,500	(6,647)	11.3	(9.3)	1.8	(1.4)
Bremner	May§	187	(-)	-	(-)	-	(-)
Conl Microwave	June	1,510	(1,255)	15.2	(12.6)	3.6	(2.8)
Dolphin Pack	May	2,360	(1,530)	9.5	(5.5)	3.2	(1.0)
Goodhead Print	May	3,580	(1,958)	14.8	(11.8)	4.5	(3.7)
Haynes Publish	May	2,580	(1,890)	32.0	(23.0)	17.0	(14.0)
Int'l Colour	June	1,510	(1,110)	-	(-)	0.8	(-)
Isotron	June	2,050	(1,577)	10.9	(9.0)	2.2	(1.8)
Klein Ben BBF	Aug	3,250	(3,630)	-	(-)	38.0	(31.8)
Orchid Tech	June	723	(3,331)	-	(-)	-	(-)
Pavion Int'l	Feb	5,420 L	(537)	-	(-)	-	(-)
Polytechnic Elec	May	1,130	(847 L)	8.1	(-)	0.5	(-)
Ricardo Consult	June	1,100	(1,370)	5.4	(6.0)	3.2	(3.2)
Sinclair Gold	May	1,450	(1,010)	8.4	(6.6)	3.0	(0.2)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
ABB Kent (Holdings)	July	3,820	(5,120)	1.5	(1.5)
Abbeycrest	June	549	(363)	0.9	(0.6)
Acorn	June	711	(1,360 L)	-	(-)
American Distributor	June	813	(27)	-	(-)
Asda Property Hldgs	June	3,440	(1,400)	0.5	(-)
Aspen Communications	June	2,350	(1,490)	2.0	(1.6)
Asset Trust	June	558	(704)	1.5	(1.5)
Avdel	June	5,600	(4,200)	0.6	(0.5)
BAT Industries	June	711,000	(640,540)	7.6	(6.5)
Beattie James	July	2,350	(2,040)	1.1	(1.0)
Bestwood	June	1,010	(830)	0.5	(-)
BICC	July	68,000	(60,400)	4.7	(4.0)
Black A&C	June	352	(324)	4.0	(3.7)
Blue Circle	June	85,200	(59,580)	8.0	(5.0)
Bodycote Int'l	June	4,880	(3,710)	2.7	(2.0)
Booker	June	28,100	(25,821)	6.0	(5.4)
Bowater Industries	June	30,500	(17,300)	7.0	(5.2)
Brammer	June	6,460	(5,380)	4.5	(4.5)
British Syphon Ind	June	2,790	(2,200)	2.0	(1.8)
Bunzl	June	43,700	(42,843)	2.4	(2.1)
Burmah Oil	June	48,400	(45,741)	7.0	(6.0)
Campari Int'l	May	739	(524)	2.0	(1.5)
Cannon Street Invest	June	7,200	(4,022)	3.0	(2.0)
Clayform Properties	June	7,000	(3,470)	3.1	(2.8)
Collins William	July	11,800	(7,300)	3.7	(3.2)
Cookson Group	June	86,000	(68,800)	2.5	(2.0)
Copymore	June	709	(610)	0.8	(-)
Costain	June	29,500	(20,900)	4.5	(3.6)
Cresta Holdings	June	1,530	(352)	0.5	(-)
CRH	June	16,700	(12,463)	1.5	(1.4)
Dagenham Motors	June	1,850	(1,040)	1.5	(-)
Eadie Holdings	June	401	(210)	0.9	(0.7)
Edmond Holdings	June	1,910	(314)	0.5	(0.2)
Emmet R&J	June	333	(262)	-	(-)
Enterprise Oil	June	47,900	(37,400)	4.5	(4.0)
European Home Prods	June	12,500	(2,350)	2.5	(2.0)
Executex Clothes	June	374	(309)	1.5	(1.2)
Expamet Int'l	June	4,430	(3,600)	3.4	(3.0)
Freeman Group	June	1,020	(548)	2.2	(-)
Friendly Hotels	June	1,130	(544)	1.1	(0.7)
Gibbs & Dandy	June	452	(382)	1.0	(1.0)
Halls Homes & Garden	July	1,540	(1,062)	2.0	(1.2)
Hall R&H	June	1,340	(1,460)	1.0	(1.0)
Hambro Countrywide	June	14,270	(10,720)	1.1	(0.8)
Handley Walker	June	577	(351)	1.8	(-)
Hestair	July	10,100	(5,030)	3.0	(2.0)
Hillsdown Holdings	June	61,100	(41,600)	1.5	(1.2)
IMI	June	48,500	(40,083)	3.1	(2.7)
Instem	July	300	(150)	1.0	(1.0)
Int'l Business Comm	June	6,360	(1,940)	1.3	(1.0)
Keep Trust	June	2,220	(1,206)	3.7	(3.0)
Legal & General	June	61,700	(42,800)	4.5	(3.6)
Lep Group	Mar●	940	(1,580)	-	(-)
Linread	June	1,230	(1,060)	1.5	(1.2)
Lopex	June	2,750	(2,030)	2.4	(2.0)
Lyon & Lyon	June	381	(291)	1.8	(1.5)
Mallett	June	1,770	(1,470)	1.4	(1.3)
Metal Closures	July	3,600	(3,103)	-	(-)
Miller Stanley	June	315	(421 L)	0.7	(0.5)
More O'Ferrall	June	3,450	(2,770)	2.4	(1.8)
Morgan Grenfell	June	21,900	(52,200)	3.8	(3.8)
M6 Cash & Carry	July	477	(207)	1.2	(1.1)
MTM	June	3,000	(1,800)	1.1	(1.0)
Nurdin & Peacock	July	5,060	(3,170)	1.8	(1.6)
P-E International	June	2,010	(1,340)	1.4	(1.2)
Pentos	June	2,400	(1,400)	0.4	(0.3)
Persimmon	June	13,200	(4,780)	1.5	(0.7)
Pickwick Group	June	741	(592)	1.0	(0.8)
Portals	June	9,010	(8,180)	3.2	(2.9)
Porvair	May	460	(371)	-	(-)
Premier Brands	June	9,800	(7,200)	-	(-)
Provident Financial	June	8,070	(6,610)	6.0	(4.5)
Psion	June	1,030	(657)	-	(-)
Quicks Group	June	1,710	(1,550)	1.5	(0.9)
Reckitt & Colman	June	86,140	(74,580)	9.1	(7.8)
Robinson Brothers	July	1,190	(361)	-	(-)
Ropner	June	2,570	(2,540)	3.0	(3.0)
Rue Estates Holdings	Dec	246 L	(67)	-	(-)
Ryan International	June	3,160	(3,855)	-	(-)
Seacon Holdings	June	424	(320)	-	(-)
Sedgwick Group	June	61,900	(77,994)	4.0	(4.0)
Severfield-Reeve	June	535	(400)	0.7	(-)
Sherwood Computer	June	1,520 L	(461)	-	(1.5)
Shorco Group	June	325	(112)	2.0	(-)
Sun Alliance	June	182,300	(104,171)	15.0	(10.0)
Technology Project	June	522	(576)	1.6	(1.3)
T&N	June	43,100	(36,300)	3.1	(2.7)
Torday	June	622	(403)	2.8	(2.3)
Tozer Kemsley & Mill	June	17,650	(12,160)	1.0	(0.6)
Tyne Tees Television	June	2,810	(2,550)	5.0	(3.7)
VG Instruments	June	6,080	(8,560)	1.9	(1.5)
Wembley	June	7,500	(1,000)	0.5	(-)
Western Motors	June	4,850	(1,510)	3.5	(-)
Wilson Bowden	June	14,500	(5,900)	2.0	(1.3)
Wilson (Connolly)	June	23,400	(13,764)	1.0	(0.5)
Wimpey George	June	40,700	(25,437)	3.0	(2.0)
WSP Holdings	June	284	(176)	0.8	(-)
Wyevale Garden Cent	June	1,080	(601)	1.4	(0.7)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. § figs for 16 months. ● figs for 3 months.

RIGHTS ISSUES

Cannon Street Investments is to raise £42.3m via a one-for-three rights issue at 240p.

Elliott B is to raise £8.7m via a one-for-two rights issue at 76p.

Honorbilt is to raise £2.7m via a three-for-eight rights issue at 20p.

Kenyon Securities is to raise £8.7m via a one-for-three rights issue at 150p.

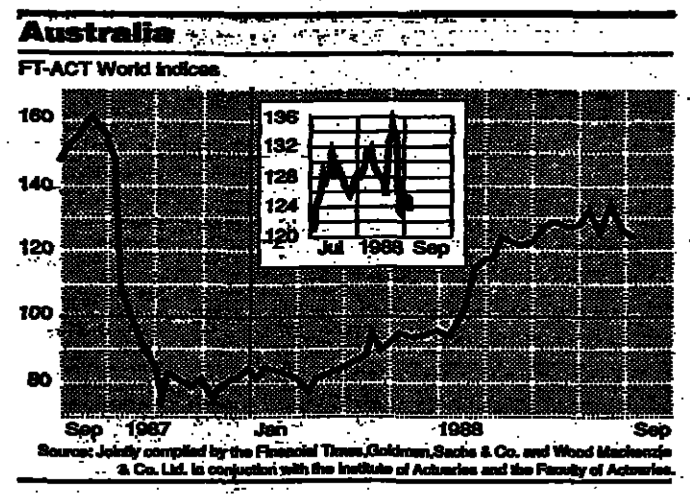
Sutcliffe Speakman is to raise £4.7m via a one-for-three rights issue at 100p.

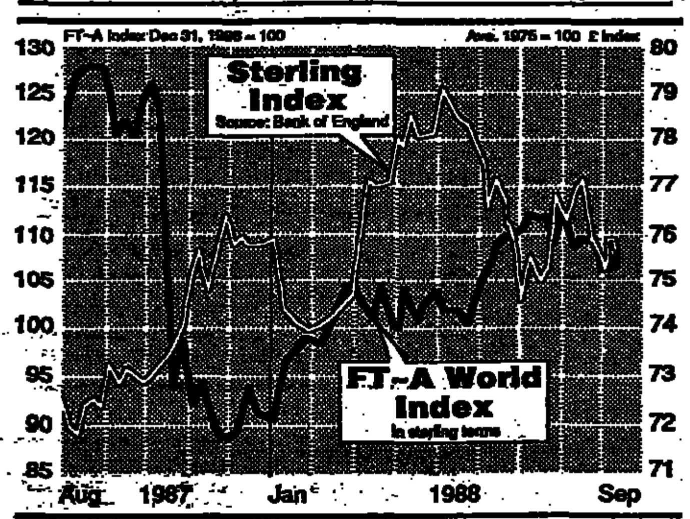
Ultramar is to raise £130m via a six-for-twenty five rights issue at 200p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Ritz Design Group is to join the main market via a placing of 3.5m shares at 118p.

WORLD MARKETS





AUSTRALIA

A brisk scuttle sideways

AMID ALL the atmospheric static and garrulous hyperbole that surrounds the Australian stock market, one word captures the present mood: caution. For six months, Australian equities have outperformed most other markets. But, a recent onset of weakness has convinced many the trend cannot last. "The locals are paranoid," said one broker on Friday. Another added: "Of course, people are nervous. Australia can't escape its dependence on the rest of the world."

Not everyone is pessimistic. One analyst says the latest round of good corporate results shows the prospective price-earnings ratio for the top 50 companies is at its lowest in five years. However, a local fund manager probably has it right: he says there is only one way to approach the market – selectively.

Such a mixture of opinion is perhaps inevitable in a market that was deregulated so recently and suffered so heavily in last October's world crash. From a high of 2,305 in September 1987, the widely-watched All Ordinaries index fell by half to 1,150 in November, and was still languishing at 1,171 in February. This exceptional plunge, exceeded only by New Zealand of the major markets, was certain to lead to a recovery once the world economy was seen to be growing more rapidly than was realised, with commodity prices picking up strongly.

Australia's economy and stock market are perceived widely as commodity-driven, so the index duly moved up, albeit in a rather erratic and step-wise fashion. In July, it breached the psychological 1,600 barrier and stayed there for seven weeks until August 26.

The rise was helped by the attractions of a strengthening Australian dollar which, on a trade-weighted basis, rose from below 53 in February (1970 = 100) to the 61-62 level. But, it came also on the back of important local factors – specifically, two major tax changes announced in May by the federal Labor Government.

One was a cut in corporate tax from 49 to 39 per cent, financed largely by the removal of various tax concessions. The other was a change in the way pension funds are taxed, which encourages them to invest in companies offering imputation credits on franked dividends.

At one point in August, when the index touched 1,657, the market had recovered almost 44 per cent of its fall between September and November last year. By the end of August, it had risen more than 25 per cent in six months. By comparison, Tokyo had climbed only a fraction of this, while Wall Street and London actually had weakened.

Over the past two weeks, however – even as many companies have been reporting record profits for the 1987-88 year – the market has fallen back almost 100 points. On Friday, the index ran further out of momentum to finish at 1545.5 – back below the level it hit on Black Tuesday, October 20.

The weakness has come on low trading volumes, a situation in which many broking firms are hurting. Local institutions clearly are wary of weighting further into equities, and overseas buying interest is less than enthusiastic. One bank economist has ditched conventional notions of bull and bear to describe the sideways pattern: he calls it a crab. But, to most it looks like the end of a bear market rally.

With everyone seeking fresh directions from Wall Street and Tokyo, it is self-evident that international considerations are paramount (whether the world slips into recession, slows down to sustainable growth or overshoots into inflation). On these hang the course of interest rates and the trend in commodity prices. Some metals have come off their peaks in recent weeks, soothing inflationary fears. But, the unanswered, and unanswerable, question concerns US economic policy; this must await the installation of a new president in January.

FT-ACTUARIES WORLD INDICES

Country	£ Sterling % change since July 1st 1988	£ Sterling % change since Dec. 31st 1987
AUSTRALIA	+2.7	+50.3
Austria	+2.4	-3.7
Belgium	-2.5	+23.3
Canada	-6.9	+17.6
Denmark	-4.6	+17.8
France	-4.3	+18.2
W Germany	+0.9	+9.5
Hong Kong	-4.8	+27.4
Ireland	-0.6	+40.9
Italy	-2.0	-0.2
Japan	-0.1	+24.6
Malaysia	-8.9	+37.8
Mexico	-12.0	+54.7
Netherlands	-0.9	+12.7
New Zealand	-4.8	+6.0
Norway	-11.3	+17.7
Singapore	-2.3	+39.3
S Africa	-8.0	-9.9
Spain	-7.7	+16.2
Sweden	-1.7	+28.1
Switzerland	-5.4	-0.6
UK	-6.3	+2.7
USA	-1.8	+19.7

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Domestically, the most influential indicator remains Australia's current account deficit. The recent weakness in the stock market follows publication of figures for July, the first month of the new financial year. These showed the second-highest deficit ever, of A$1.67bn – double the average monthly level needed to meet the Government's forecast of A$9.5bn. That projection was announced only three days earlier in a good-news Budget promising a record fiscal surplus, eradication of the public sector borrowing requirement, strong economic growth and future income tax cuts.

A more tangible influence on the market has been the reaction of companies to the May tax changes affecting pension funds. These have made Australian companies with a large proportion of domestically-generated earnings, and tax payments approaching the full corporate rate, more attractive as investment targets.

The big beneficiaries in share-price terms have been the big three commercial banks – Westpac, National Australia and ANZ. At the same time, other well-known companies like Elders IXL and Brambles have altered their dividend policies radically to meet the differing needs of their shareholders, be they domestic or foreign, individual or institutional. According to one broking analyst, the policy change could entail a re-rating of the whole Australian stock market and not just the banks, because valuations based on traditional criteria will lose much of their validity.

With specific sectors and stocks, opinions differ according to perceptions of risk and opportunity. Thus, one analyst will point to the recent strength of Coles Myer, by far the country's largest retail group, and highlight its future earnings growth and attractions as a dividend play. But, another treats it as a fully-priced blue chip and points instead to undervalued second-line stocks that investors have avoided.

A similar division of opinion is apparent over gold and base-metal mining stocks, which have slipped back sharply since the beginning of August. Entrepreneurial stocks, on the other hand, are not yet back in favour.

These differences of opinion are important for longer-term equity investors, as a Melbourne broking firm recently demonstrated. It listed the 10 best and 10 worst-performing stocks over a five-year period. Not one company on the 10-best list was among the 50 leading stocks five years ago, while seven of the 10-worst were.

Chris Sherwell

WALL STREET

Waiting for the axe to fall

THE US FINANCIAL markets are as sick as they have been for many years. The symptoms of the malaise are many. There is the listless trembling of the Dow Jones Industrial Average, something that carries on for days after every significant exertion. The 52-point leap on Friday last week was followed by a week of completely aimless trading. Yesterday morning's considerable fall showed every sign of the same lack of conviction.

Even more alarming have been the abysmal trading volumes on the New York Stock Exchange. With only 120m to 130m shares changing hands for day after day, there are simply not enough commissions and trading profits to keep thousands of under-employed brokers' salaries above the $100,000 level which is Wall Street's equivalent of the poverty line.

Why should this bother the average private investor, who is probably earning less for a hard day's work than the idle stockbroker? The answer lies in another question: why are hard-nosed investment houses keeping so many idle people on their payrolls?

The reason they give most often is that they need to retain their best employees in readiness for the market upturn, when that comes. The fact that so many institutions seem to believe another bull market is just around the corner gives the lie to Wall Street's apparent gloom. It also provides one of the best reasons for thinking that the bear market is far from over.

Of course, there seems always to be a ray of sunlight peeking over the horizon. Early in the summer, it was the approach of the mid-year corporate results that was supposed to spark the market's excitement. When better-than-expected profits fell on deaf ears, the brokers shifted their hopes to the end of the summer holidays – Wall Street, uncharacteristically, spent most of August looking forward to last Monday's Labor Day holiday when affluent New Yorkers traditionally come back from the beach. Their hopes were dashed totally by the market's lethargy this week.

With Labor Day now behind, there is little left for which brokers can hope except the approach of each new set of economic indicators. On Friday last week, the unexpected jump in unemployment, from 5.4 to 5.6 per cent, certainly provoked a big rally, but volume remained low at around 150m shares after deducting virtually commission-free dividend-capture trading.

Yesterday, the producer price figures, which showed wholesale inflation running at 0.6 per cent in August, also were somewhat higher than expected. But, a mid-morning attack by the bears fizzled out rapidly. Next week, there will be the trade deficit announcement on Wednesday to focus the market's attention. But, what if that fails to excite investors as well?

Still, what look to be looming redundancies in Wall Street could be delayed a few more months even if the trade figures fail to produce a reaction. After all, an all-important non-economic event is now becoming discernible over the investment horizon.

The US news for the next two months is going to be dominated by the presidential election. This in itself provides the market with its best excuse for paying scant attention to any economic statistics published between now and polling day on November 8. The likelihood that new economic policies will give the market a sense of direction is actually smaller than seems to be anticipated by some investors – particularly investors from overseas.

If Vice-President Bush is elected, there will be little chance of policies to narrow the budget deficit, lower interest rates or underpin the dollar. Bush's hands are going to be tied, especially if he wins by a small margin and faces a hostile Congress, by his extraordinarily reckless promises never to raise taxes.

If Governor Dukakis wins, he might move rapidly to tighten fiscal policy, but the beneficial effects of this for the financial markets would probably be offset by Wall Street's general bias against Democrats and by the nature of his budgetary measures.

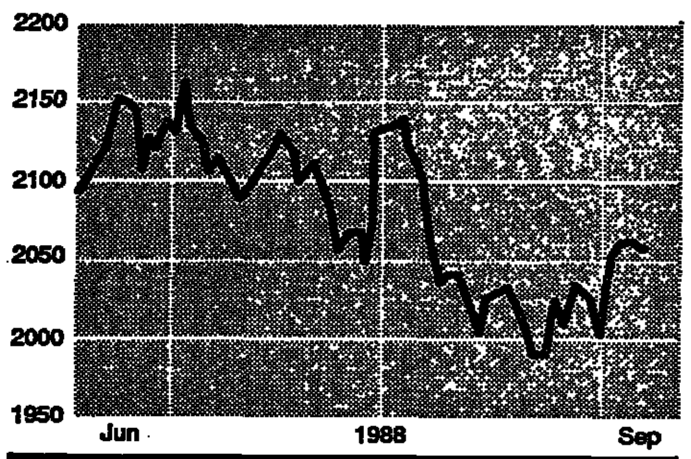
Nevertheless, the imminence of the election provides a possible case for short-term bullishness about Wall Street. If Bush retains his lead in the opinion polls and nothing goes significantly wrong with the economy, there could well be a short-lived repetition of last spring's euphoria.

Bush's electoral successes would be read as a symbol of the longevity of the Reagan era; and there would be another vogue for the New Age analysts who argue that the economy will continue to expand for many more years with no cyclical corrections or financial dislocations.

The Dow easily could peak several hundred points above its present level shortly before a Bush victory – and that would be the time to sell everything in sight, just as it was before Mrs Thatcher's re-election last year.

Anatole Kaletsky

Dow Jones Industrial Average



Monday	CLOSED	
Tuesday	2065.26	+ 10.67
Wednesday	2065.79	+ 00.53
Thursday	2063.12	− 02.67
Friday		

Alice Rawsthorn looks at advice on how to deal with the problems caused by the postal dispute

Crisis checklist for the postal strike

THE YEAR was 1971. Tom Jackson, a trade union leader with a handlebar moustache and more than a passing resemblance to a popular children's comedian of the day, led the postal workers into a national strike.

The impact on the country, or so the Annual Register of World Events would have us believe, was "inconvenience rather than disaster." The "private citizen" was even able to enjoy "a blessed relief from bills."

This time, the world is more complicated. In the 17 years since the last national postal strike, the boom in consumer credit, home buying and private share ownership has ensured that individuals are much more dependent on the mail.

Credit card bills must be paid before interest starts to spiral. People run out of cheques and need new cheque books. Insurance policies must be renewed. Telephones will be disconnected if bills are not paid. Shareholders want to pocket their dividends.

Thousands of credit card bills, cheque books, policy renewal forms and dividend cheques are already trapped in the Post Office's backlog of over 100m items of mail. But as the strike continues institutions are finding ways of overcoming the crisis.

Bank accounts: The banks have stopped sending out statements and now advise customers to check their balances on the "hole-in-the-wall" cash machines at local branches.

New cheque books and cheque cards are distributed to branches by the banks' internal mailing systems for collection by account holders. People *living too far away from* their own branches should telephone and ask for the cheque book or card to be sent to a more convenient branch.

The banks *say* that branch managers will listen sympathetically to those with mounting overdrafts and cashflow problems because of cheques being trapped in the post.

Credit cards: All card holders are advised to pay any outstanding bills through the High Street banks. Visa card holders can use branches of Barclays, the Trustee Savings Bank or Bank of Scotland. Access bills can be paid through Lloyds, National Westminster, Royal Bank of Scotland and the Midland. American Express has set up a Giro facility whereby its accounts *can be settled at any High* Street bank.

The card companies have not yet decided whether to waive interest for payments delayed by the strike.

Similarly the companies are still working out how to *dispatch* future statements. Access advises card holders to estimate how much they owe *and to* pay that amount into a branch of one of its member banks. American Express is delivering statements by private courier.

Insurance: The insurance companies recommend that policyholders should check to see whether their household or motor policy *has, or is about to* expire. If this is the case the Association of British Insurers advises policyholders to telephone the nearest office of their insurance company, broker or agent.

Policyholders should also telephone if expecting cheques for annuities or claims settlements.

Shares: The best possible advice for any private investor — whether waiting for the arrival of a share certificate, eager to buy shares in a new issue or to cast a vote in a bid battle — is to telephone their stockbroker.

The Stock Exchange says that new share certificates are now being sent directly to brokers and dealers. Clients should contact their brokers to arrange collection.

There is, however, a problem with rights issues, scrip issues and dividend cheques. The registrars have no record of the broker or dealer involved in these transactions. Usually they send certificates and cheques directly to the client. As a result this documentation is piling up at registrars' offices.

National Investment Group, one of the largest brokers for private clients, says that its clients can make payments for transactions by Giro at High Street banks. Its chief concern is the documentation that is snarled up in the post.

Household bills: Gas and electricity bills should be paid by direct debit at banks or in local showrooms. Similarly British Telecom *advises* its customers to pay their phone bills through their local banks.

Anyone who suspects that a bill is trapped in the postal system should telephone their local office. BT says that there is only a slight risk of disconnection, given that phone users are given a month to settle their accounts. If the strike continues indefinitely BT will consider allowing its local managers to suspend disconnection.

Pensions and benefits: Pensioners should collect pensions from their local Post Office as usual. Post Offices receive three weeks-worth of pensions in advance and, providing the postal strike is settled within the next fortnight, there should not be a problem.

If the supply of pensions at local Post Offices is exhausted, then an alternative means of distribution will be found.

Social security benefits, like unemployment Giro cheques, have been dispatched by private courier since the strike began. Claimants have been instructed to collect the cheques from their local DSS office.

Property: The Law Society has warned people involved in property purchases that their transactions could be delayed because property searches, usually posted to solicitors, are stuck at the Land Charges Registry and District Land Registries.

Building societies and banks stipulate that the process of search should be completed before they authorise mortgages and loans. *If* there is a delay, then a prospective purchaser can not exchange contracts for the property and *runs* the risk of being gazumped by a cash buyer.

The Law Society has contacted its local societies to arrange for mail to be collected from the registries and taken to a central point to be collected by solicitors. Would-be house buyers should check their solicitors about searches to escape from the gazumpers.

Templeton's target

EXPERIENCE is a great attraction in these times of uncertainty for stock market investors. So Templeton International, the US-based fund management group, feels it has chosen an appropriate moment to enter the UK unit trust market for the first time with the launch of two funds on Monday.

Books and numerous articles have been written about the success of Sir John Templeton in establishing this US-based *organisation as one of the most* successful fund management groups worldwide. Its assets under management total some £7bn, of which about £4.5bn is accounted for by mutual funds — the US equivalent of unit trusts.

The parent company, Templeton Galbraith & Hansberger, was listed on the London Stock Exchange with a flurry of publicity in early 1986 and a subsidiary, Templeton Unit Trust Managers, was set up in Edinburgh in March this year.

Now it aims to break into *the "untapped potential" of the* European market with two authorised UK unit trusts.

Colin McLean, managing director of Templeton Unit Trust Managers in Edinburgh, believes that the time is ripe for the launch, bearing in mind the uncertainty among investors.

The two new UK funds — Global Growth and Global Balanced (a mixture of income and growth) — will follow closely the investment strategy that has brought the 600,000 US and Canadian investors in the Templeton group such rich rewards in the past. They will be a mirror image of Templeton's original North American growth fund that has been the top performer over the last 20 and 30 year periods.

It is claimed that £10,000 invested in 1954 in the Growth Fund would have grown to £1,594,245 by July this year, equal to an annualised rate of return of 16.2 per cent. In no five-year period since then has there ever been a loss.

The Templeton Approach, which has achieved these results, is to focus on value rather than market outlook or trend, and to follow a list of golden rules. These include:

■ The *time of maximum* pessimism is the best time to buy, and the time of maximum optimism is the best time to sell.

■ To buy when others are despondently selling and to sell when others are greedily buying requires the greatest fortitude even while offering the greatest reward.

■ Bear markets have always been temporary. Share prices turn upward from one to 12 months before the bottom of the business cycle.

■ If you search worldwide, you will find more bargains and better bargains than by studying only one nation.

■ The time to sell an asset is when you have found a much better bargain to replace it.

McLean says the UK funds will be run from Edinburgh, but use the "buy" list of bargain shares worldwide to create a diversified portfolio of 40 to 60 shares selected from the central group's "buy list". The Global Growth Trust would invest primarily in equities, while the Balanced Trust would be a mixture of equities, *fixed interest and convertibles* to provide a growing level of income (estimated initial yield is only 4 per cent gross).

Initial (front load) charge on the funds is a hefty 6 per cent, with a 1.25 per cent annual management fee. But McLean argues that since the group intends to maintain an offer price basis the whole time, backed up by a constant inflow of money, the spread between buying and selling will be cheaper than many other groups.

At the same time during the initial offer period to October 14 there will be bonus allocations of units of up to 2 per cent for investments over £20,000 received by September

Colin McLean, managing director, Templeton Unit Trust Managers

30 and one per cent by October 14. Initial offer price during that period will be 100p and the minimum investment in each fund is £1,500.

The group, he says, hopes the funds will be used as core investments by more experienced investors, who want *peace of mind*. A disturbing factor, however, may be that Templeton was hit almost as badly as others by last October's crash. It also pulled out of the Japanese market, where it made its early reputation, over two years ago, on the grounds that stocks were overvalued there. It may yet be right, but the timing has certainly proved wrong.

John Edwards

Topical trusts

UNIT TRUST groups have never been slow to make the most of topical trends. So, it can be expected that the harmonisation of the European Community in 1992 will be used to try to rekindle flagging investor interest in the sector.

Quick off the mark is Fidelity, which this week announced the launch of a 1992 European Opportunities fund. The prospectus paints a glowing picture of the investment possibilities that will be thrown up by the move to a unified EC, now less than 200 weeks away.

The group already has two European unit trusts — a *growth fund of some £140m* which is the best performer in this sector over the past two years, and a smaller income fund (£30m).

However, the new fund will have a different strategy. For a start, it will invest in the UK as well as Continental Europe, and it will focus on industry sectors that are expected to benefit most from harmonisation rather than geographic sectors. As a smaller fund, it also will have more flexibility for investing in smaller companies to help provide long-term capital growth.

Fidelity also has taken the opportunity to increase its charges. The initial (front load) fee goes up to 6 per cent (compared with 5.25 on its existing fund) and the annual management fee is now 1.25 per cent.

Fidelity's Mary Blair says the higher initial charge merely replaces the loss of the "rounding up" facility, banned under new financial services regulation, which previously represented a *hidden impost*.

Minimum investment is £1,000 and the initial price of 25p a unit will be fixed until September 30.

J.E.

■■■

Household Mortgage Corporation has raised the interest rate on its home loans from 11.4 to 12.85 per cent but only for existing borrowers. New borrowers will get a discount of 0.5 per cent, until May next year, so they will pay only 12.35 per cent.

John Robertson, mortgage director, said they had to face *commercial reality and* couldn't ignore the tactics of rivals who used discounted rates to attract new business. He claimed that at 12.85 per cent existing borrowers would not be paying over the odds once the other lenders raised their rates.

■■■

An indication that the *property boom is over is an* offer by Laing Homes to give financial help to first-time *buyers. It is offering to pay* the valuation fee, stamp duty and legal costs up to £350 on *purchases of its homes. It* estimates that the package will save the average first-time buyer more than £1,000.

■■■

Barclayshare, the retail stockbroking arm of Barclays Bank, has extended its dealing *service to UK nationals* resident overseas.

Gavin Oldham, Barclayshare chief executive, said the service was particularly suitable for expatriates who required immediate and direct access to their stockbroker by telephone. He said the normal commission rates, with a minimum of £16, would apply. The subscription rate for expatriates would be £25 *a half year*, but this is cut to £10 for those granting a power of attorney to Barclayshare.

■■■

TSB Trust Company is launching a Personal Income Insurance policy on Monday. It aims to provide employees and the self-employed with financial help if they are unable to work as a result of an accident or illness.

Stockbrokers' shuffle

NOT ALL City stockbrokers are turning their backs on their personal clients. Newspapers, including this one, have said much about the way some of these established firms have lost interest in individual investors recently. Most are still in the market, *though the* nature of their costs and service have changed dramatically.

First, those who have pulled out. Phillips & Drew last week wrote to its 6,000-odd clients telling them that it no longer wanted their business. It also advised them that Capel-Cure Myers, another broker, is prepared to take them on and promises an uninterrupted service — though there is nothing to force the clients to make this switch.

A select band of P&D clients have been invited to stay. Their accounts have been transfered to Union Bank of Switzerland, which owns P&D. The others, regardless of how long they have had dealings with the firm, have been unceremoniously dumped.

Others to dispose of their private client business are Shearson Lehman and ANZ, both foreign institutions which did not have a home for the private client bits they acquired with their London brokers (L Messel and Capel-Cure Myers respectively). Security Pacific, owner of Hoare Govett, has been preparing a disposal for some months, but *has yet to make a formal* announcement.

So who is still in the market — and what are they doing? The most obvious are James Capel, Kleinwort Grieveson and CL-Alexanders Laing & Cruickshank. They are joined by Capel-Cure Myers, which has discovered a new lease of life with its new parent, Canada's Central Capital Corporation. Question marks hang over the commitment of most of the others, with market rumours rife about which will be the next business to be put on the block.

Of the firms still interested, most are taking an identical approach. For all but their wealthiest clients they have become investment managers: they will manage your money, or put you into one of their in-house unit trusts, and charge you management fees for the service. The old stockbroking service of advising on *what shares to buy and sell is* now generally only available if you have upwards of £200,000 or £250,000.

Stephen Cooke: brokers must adapt to the times

The reason for this is that *providing personalised advice* is an expensive and time consuming business, and something only the wealthy client will be able to demand.

Laing & Cruickshank has bucked this trend. It has increased its share-dealing commission rate for private clients (from 1.65 to 1.85 per cent) but at the same time has eliminated all management charges.

Ian Macartney, of Laing & Cruickshank, says he believes clients would rather pay commissions than management charges. It is more tax efficient (commissions can be charged against capital gains tax while fees cannot), and clients pay only if something is actually done to their portfolio.

The firm's London office is prepared to handle either advisory or discretionary portfolios of £100,000 or *above*, while regional offices provide the same service for portfolios of over £50,000, says Mr Macartney. *Gerrard Vivian Gray*, an established stockbroker that has been taken over by Gerrard & *National*, *is also making* a pitch for private clients. It has closed down its institutional equity business and spent the last nine months installing a computer system designed to expand its private client business from the present figure of some 15,000.

Stephen Cooke, chief executive, who was previously with Montagu Stanley Loebl, says there is no reason why London-based brokers should not continue to provide a competitively priced and efficient service for private clients, providing the companies have adapted to the times. He does not believe it possible to recruit and retain the same calibre of staff in the provinces as in London.

The group is launching a unit trust portfolio management service, with a minimum of £15,000, run by Mark Searle. The fees for this service are on a sliding scale from 1.5 to 0.5 per cent, but with the rebate of commissions received, the cost to clients will be much reduced and in some cases might be offset completely.

For traditional stockbroking services, where it is reckoned a minimum of £50,000 is needed to achieve a decent spread of shares, there is the normal 1.65 per cent *commission* (with a minimum of £24) plus a "menu of charges" for other services that can be provided on request.

Cooke says there are a lot of private clients in a "migratory frame of mind" but he does not think they have a lot to gain by moving to the provinces.

Richard Waters and John Edwards

FINANCE & THE FAMILY

The extension of the Business Expansion Scheme to include privately rented homes looks to be a popular investment plan

A torrent of issues

THE TRICKLE of BES issues that greeted the start of the tax year has turned into a flood. So far, at least 20 prospectuses have been produced this month in an effort to attract investors who can get enhanced tax relief before October 6.

Predictably, the new "assured tenancy" companies – which will invest in properties for letting – dominate the list. These schemes, introduced by the last budget in an effort to stimulate the rented housing sector – can attract up to £5m each, in contrast to conventional schemes which are now limited to just £500,000.

Perhaps the most ingenious of these is a scheme called Link-Invest. This involves not one but a host of off-the-shelf companies, each of which will buy a single property. Each company has just nine shareholders – assigned on a first-come, first-serve basis – who invest £10,000 apiece.

Robert Waterhouse, managing editor of North West Times

The point is that each company qualifies as a "close" company and accordingly investors can gear up and get income tax relief at up to 40 per cent on their interest payments. In addition, companies pay only the lower, small companies rate of corporation tax at 25 per cent – 30 per cent less than other BES companies.

Add to that the usual tax breaks of a BES scheme – income tax relief on the investment and no capital gains tax – and the company reckons it can produce a £4,345 net gain to an investor after five years, – equivalent to an annual compound growth rate, after tax saving, of 50.4 per cent.

That assumes that the investor has shelled out £2,000 – borrowed £8,000 at 14.5 per cent interest rates (the scheme has a loan facility with the Royal Bank of Scotland) and house prices rise at 10 per cent a year. Under the same conditions, a BES company that did not have these extra tax breaks would, by contrast, offer an investor annual compound growth of 12.6 per cent.

The risks of this scheme – which are heightened by the concentration on just one rather than a spread of properties – are tempered by an insurance policy. This will protect the investor if the property's price falls by between 5 per cent and 30 per cent of its value. The scheme also benefits from an insurance policy against loss of up to four months rental income. The scheme is sponsored by the London stockbroker, Williams de Broe.

A number of rather more conventional companies – in addition to those listed large week – are also on offer. Most of these have chosen to concentrate on a specific area of the country.

London Town, which is sponsored by Chancery (01-486-7171), plans to invest in London and the South East. Assured Property Trust, sponsored by Choulartons (01-283-7671) also expects to invest in the London area.

Northumbrian Residential Properties (01-355-4842) intends to buy properties in central Newcastle and its more affluent suburbs, where, it says, house prices are relatively low in relation to average incomes in the area. Bristol Investment Properties, sponsored by Mercia Fund Managers (021-233-3404), is hoping to raise funds to buy newly-built houses in Bristol.

Sun Life, the insurance group, (01-606-7788) seeks to raise up to £30m through its Besres fund. It will invest in at least four BES residential companies to get a spread of companies in different locations.

Lazard Development Capital, (01-935-2731), which claims to be the largest BES fund manager in the UK, is launching the Lazard Residential Property Fund, which plans to invest in a number of companies operating in different parts of the country.

Trading companies, although less in favour now that a mere £500,000 can be raised under the BES, also put in an appearance.

One such is the North West Times, a Manchester-based newspaper, sponsored by Guidehouse (01-606-6321) that claims to be the first quality, regional morning newspaper to be launched in the UK since 1873.

The paper, which raised £1.2m under the BES in the last tax year, is seeking an extra £500,000 to help with the launch, scheduled for September 20.

Another newspaper issue currently open is Consolidated Newspapers (01-724-2696). This is planning to launch the City of Westminster Observer, a free newspaper that will cover local news and events in Westminster.

Yet more variety is achieved through Celtic Trees, (0222-590140) a tree nursery which produces Christmas trees as well as conifers for the landscaping market and forestry and woodland industries. With the £500,000 it hopes to raise through the issue, it plans to set up garden-centres offering trees and shrubs to the general public.

Finally, among the BES issues to come on offer this week, there is Connaught Brown, a company of art dealers specialising in impressionist and post impressionist art, which is aiming to raise £500,000 under the BES scheme – and a further £250,000 of preferred shares.

The extra cash will allow it to buy more pictures – generally in the price range £5000 to £40,000 – which will, it reckons, increase the drawing power of its gallery in Albemarle Street in London's West End.

The exit route for this kind of BES investment is rather less predictable than for the assured tenancy scheme. The company is contemplating a flotation and Henderson Crosthwaite, the sponsor (01-623-9333), will undertake to match buyers and sellers, where possible.

Meanwhile, shareholders will have to make do with the visual pleasures of illustrated catalogues, exhibition previews and use of the framing, valuation and restoration services.

Vanessa Houlder

The floodgates open

THE EXTENSION of the Business Expansion Scheme to privately-rented homes looks set to become the most most popular tax-driven investment scheme since the demise of the offshore roll-up funds five years ago.

When the scheme was announced in the March Budget, the Government expected it to attract £125m in its first year, compared with the £190m attracted by all BES funds and companies last year. But, something close to £125m is now expected to flow, post permitting, into the many funds and companies that have been launched over the past two weeks to beat the October 6 deadline. The figure by the end of the tax year in April is likely to be nearer £500m.

The reason is that the rental schemes represent a reversal of government policy. Ever since the BES was introduced in 1983, company promoters have devised ways of winning the substantial tax concessions for real estate or other low-risk asset-based investments rather than the small business ventures in manufacturing or services that the Government was targeting. Every time the Government stuck a finger in the dyke, a more ingenious scheme was dreamt up by a promoter. But this year the Government has opened the floodgates and gone one step better by curbing the Rent Acts and linking the tax reliefs to "assured tenancies" which allow full market rents to be charged to residential tenants.

The tax breaks are by themselves large enough in relation to the risks for the scheme to be attractive even for the basic rate taxpayer of modest wealth. But there are several other non-tax-related ways in which you can take advantage of such schemes in your longer-term financial planning.

The most important is that they allow you to avoid getting left behind by a boom in house prices in the region in which you are living or planning to live, even if you are not an owner-occupier in the area.

Families, for example, who decided to move from south-east England to the north for work reasons five years ago, were able to buy larger accommodation there. But the much more rapid increase in house prices in the south east, by 2½ times, since then has made it difficult for them to return without suffering a sharp drop in their living standards. In future, people who plan ultimately to move or to move back into another city in, say, five or 10 years will be able to hedge against such risks by investing in a BES company which specialises in that city.

People going to work abroad for a few years may also find a BES investment a more attractive alternative to holding onto their previous homes and trying to rent them out.

Another category that may be interested in hedging against a house price boom are young, single high earners who plan eventually to establish a family but are content meanwhile to live in a smaller flat. In the past, the temptation for such people has always been to over-invest in larger than necessary accomodation. The financial rationale was strong because of the tax breaks for owner occupiers: mortgage tax relief plus the exemptions from capital gains tax and income tax on the imputed rental income they pay themselves.

The BES, however, creates an approximately level playing field, in investment terms, between owner occupation and rented accomodation. It grants income tax relief at investors' top marginal rate (£5,000 can be offset against your top rate in the last tax year if you invest before October 6) and a capital gains tax exemption if the shares are sold after five years or more.

For investors with a hedging motive, the companies investing in specific towns and regions are the most attractive. These include two in Glasgow, Aberdeen, Newcastle, Yorkshire, Cambridge, Bristol and several in London.

The most ambitious region-based scheme is that launched by Johnson Fry, the financial services group which sponsored companies accounting for nearly a third of the BES funds raised last year. It is sponsoring – and managing – seven regional companies investing in central London, outer London and surrounding areas, the South East and East Anglia, the South West and Wales, the Midlands, the North and Scotland. The focus of these companies and their size will allow them to redevelop – and upgrade – entire streets or estates which should boost the value of the portfolio. A more modest scheme has been launched by Chancery, a long-standing sponsor of BES property-related businesses based in London, which is sponsoring one London and one Cambridge company.

The largest funds however, including those of Sun Life, the Anglia Nationwide building society (due to be launched next week) and Lazard, which are all backed by stong brand names and sales networks, will be general, with the managers having the freedom to invest anywhere in the UK.

The managers claim the ability to invest in those areas where property prices are likely to rise more steeply than the average. But you should be sceptical about their or anyone's ability to identify undervalued regions, even if individual house pricing anomalies are plentiful.

The Link-Invest scheme (see adjacent article) has adopted a more subtle and analytical approach. It has a more efficient tax structure but the smallness of each company prevents any diversification of risk across different properties. In any case, some of the other companies are planning to minimise the corporation tax bills by borrowing money and offsetting the interest payments against rental income.

The most difficult tax issue will arise when investors want to withdraw their money after five years. If the company has to sell off the underlying properties before liquidation it will become liable to capital gains tax – and that is what some managers are saying may be necessary. The better approach however will probably be to sell the company to another property company or to float it on the Stock Exchange. This policy is specifically favoured by Assured Property Trust, a company investing in London sponsored by Choulartons. Clearly, the flotation price will include a discount for a potential future CGT liability but as this can be deferred indefinitely the discounted present value of the tax should be small.

The other important selection criterion is the management and other charges which are generally large and complex. The various cuts taken out of the investors' money and the tenants' money include the formation and issue costs, typically five to 10 per cent of the money raised; an annual fee to the management company of the fund and/or the underlying companies, typically one to two per cent; fees for finding, surveying and valuing the properties (the costs are sometimes borne by the management company); the fees for finding, vetting and servicing tenants, collecting rents and carrying out repairs (typically seven to 15 per cent of the rental income).

Clive Wolman

FINANCE & THE FAMILY

Philip Stephens on the difficult problems looming for financial decision-makers

Why everybody needs to take care

TIMING IS everything in investment and borrowing decisions. And for individual people as well as major institutions, the key decision to be made is often the same — when should they seek to lock into a particular level of interest rates?

Unfortunately, over the next few weeks that judgment will be considerably more difficult even than during the past few turbulent months in Britain's financial markets. The need for caution in financial decision-making is perhaps a cliché but rarely has it been more appropriate than now. And although it is little comfort, senior policy-makers in the Government and the Bank of England are looking at the outlook for interest rates through the same, distinctly cloudy, crystal ball as the rest of us.

Perhaps the one relatively-firm starting point is that, barring a repeat of last October's stock markets' crash, there is little prospect of any fall in bank base rates from the present level of 12 per cent for the rest of this year. According to Whitehall insiders, Nigel Lawson, the Chancellor, is much more worried than his public reassurances suggest about the threat to the economy posed by the dramatic widening in Britain's trade gap.

At the same time, it is clear that retail price inflation is likely to rise to well over 6 per cent early next year, a level unlikely to go down too well with his next-door neighbour in Downing Street. So, Lawson will need clear evidence that the runaway pace of borrowing and spending behind the trade gap has slowed before he can afford to take his foot off

Interest Rates

the brakes.

City forecasts that the shortfall on the current account of the balance of payments could approach £14bn this year — more than three times the level forecast by Lawson only six months ago — are now regarded as perfectly respectable within the Treasury. Perhaps more significantly, the forecasts suggest that without a decisive downward shift in the pace of spending in the economy, that figure will be even larger next year.

There is little doubt that the *ratcheting-up* in base rates from 7½ per cent during the summer to 12 per cent now will eventually slow the extraordinarily rapid pace of domestic spending. The key issue, however, is whether the progress in that direction will be fast enough to persuade the financial markets — and, above all, the foreign exchange markets — that an even tighter squeeze is unnecessary.

Many of the City's leading economists are far from convinced that it will be, and believe that a bout of speculative pressure on sterling could well force rates up to 13 or 14 per cent within the next few months. As Goldman Sachs puts it, a soft landing for the economy "could be blown apart by a loss of international confidence in sterling."

The most likely trigger might be another set of very bad trade figures (the next are due on September 27). But, the sharp fall in share prices in response to this week's CBI/FT survey of the distributive trades demonstrated how vulnerable the markets are to any evidence that spending is still growing rapidly.

The balance of risk, therefore, clearly is tilted towards another rise in base rates with a corresponding jump in the cost of mortgages.

What is far less clear is whether this should be a signal for borrowers, for example, to try to lock into the present level of interest rates for anything more than a few months. *If Lawson is forced to* really slam on the brakes by raising rates to, say, 14 per cent, the impact on the housing market — and on the rest of the economy — could be fairly dramatic. In those circumstances, borrowing costs could go down almost as quickly during 1989 as they have risen this year.

Simon Holberton checks out gilt-edged securities

A risky venture

INTEREST rates are up and look like staying around present levels for some time. So, what does the future hold for those who fancy investing in Britain's biggest interest rate-sensitive market, that for gilt-edged securities?

City analysts do not believe the time is yet quite ripe for the private investor to buy gilts. The balance of probabilities suggest there could be another rise in interest rates before the winter and, in the short term, that means adopting a defensive posture.

Richard Jeffrey, economist at Security Pacific Hoare Govette, says: "In the short term, I'd stick with my money in a building society. Later in the year, look to invest in gilts to take advantage of an upswing in the market."

The gilts market is the biggest money market in Britain and can be entered either through National Savings or a stockbroker. The size of your investment will determine which route you take: if more than £10,000, a broker might be your best bet; if less, National Savings provides a competitive service.

If the gilts market is one of the biggest in the UK, it is also one of the riskiest. Unlike a bank or a building society where your capital is rarely, if ever, at risk, the value of your capital in the gilt market fluctuates continually. Capital gains and capital losses can be made — and they can be large.

Gilts are a mixture of income (the half-yearly interest payments) and capital (the sum you receive when you sell them or they are redeemed by the Bank of England). Prices and yields change daily. This reflects the forces of supply and demand, but, more importantly, the market's view of economic policy and the outlook for inflation in the UK.

So, what do you want? Income? Capital gain?

Take the income option first. The yields, or interest rates, on gilts usually rise in anticipation of a rise in bank base rates. The gilts market is likely to be in an uneasy state until it is relatively certain that the economy is showing signs of slowing.

Another poor set of trade or retail sales figures could force another rise in short-term interest rates. *In this environment,* yields on gilts across the whole spectrum available are likely to rise.

But, what gilt to buy? If you are interested primarily in the *half-yearly income stream from* an investment, it is best to opt for a high "coupon" gilt, such as the Treasury 13.25 per cent 1997.

The capital gain option is also relatively straightforward. The next rise in interest rates could well be the last in the present cycle. If the markets judge it as sufficient to allay their fears of overheating, so leaving them more confident about the prospect for a slowdown in the UK, then gilt yields could fall.

This is where the capital *gain element* appears. Prices move in an inverse relationship to yields; if yields fall, prices rise. A fall in yields on gilts with a low or medium coupon has a greater effect on the price of a gilt than one with a high coupon.

Thus, the investor interested in capital gains should buy a gilt with a coupon of up to around 8 per cent. The price of such a gilt could rise significantly over the course of a week in a decent market rally on "good" news associated with a slowdown in the economy.

Meanwhile, index-linked *securities are not thought to* offer the private investor that much in the coming months. As Jeffrey says: "The index-linked boat has been missed. The market has discounted the extent to which inflation is going up and we've seen most of the policy response [through higher interest rates]."

Timing a move into gilts to take advantage of possible capital gain opportunities is all-important. You are unlikely to be able to pick accurately the top of the interest rate cycle; even the professionals succeed only rarely at doing that.

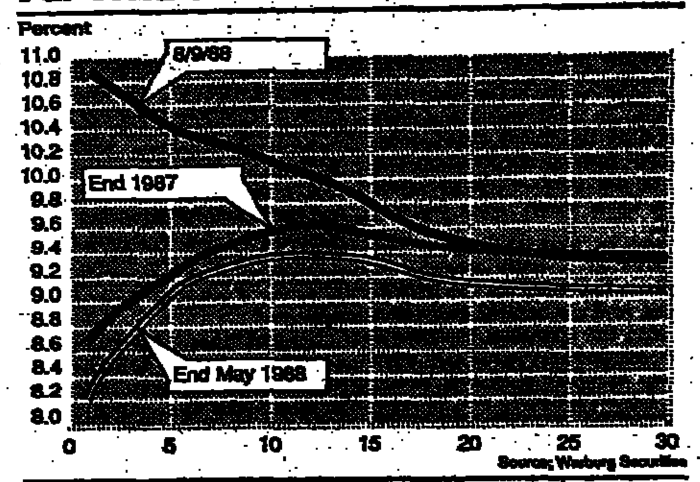
There are, however, some signs to watch for. The next rise in interest rates, if it comes, could be the signal to buy; so could a "good" retail sales figure which shows a fall in *the monthly volume of* sales, as this could indicate the economy has begun to turn down to a slower growth rate.

As John Sheppard of Warburg Securities says: "If you are playing the gilts market for capital gains and you think that the economy will slow, interest rates will fall and next year's Budget will be tight, then wait a little — but not too long — and buy. But, get out when you can see the peak in inflation."

All of that points to a time around, and possibly just after, the 1989 Budget. The Chancellor has said already that inflation will peak during the first half of next year and the Treasury always likes to see interest rates fall after a Budget (they have in every one of the past six years).

This is, however, basically a trading view of the gilts market and the risks can be high so, clearly, you do not want to invest in gilts unless you can do without the funds you have put into the market. No matter how persuasive the scenarios for the future can sound for gilts, investors often get mugged by reality.

Par Yield Curves



Plenty of bargains for savers

EVERY CLOUD has a silver lining. High interest rates may be bad news for borrowers and house-owners with mortgages. But, they are very welcome indeed for those relying on income from such safe havens as building societies or banks, or for investors with cash to spare.

Building societies have been the traditional home for cautious savers because they have offered the best interest rates and no risk. However, the societies have been very slow to respond to the recent successive rises in base rates. One reason is that they did not cut the rates they paid to savers in line with the base rate falls earlier this year, so they needed only fairly modest increases to come back into line with the pack.

However, the fact is that with funds pouring in at a record rate since last October's stock market crash, plus the stimulation of the Budget tax cuts, the societies are awash with cash and don't really need your money. They are concentrating instead on holding down their rates so the cost of mortgages can be kept as low as possible, thus regaining some of the ground lost to rival lenders who had been using the cheaper funds available on the wholesale money market to undercut the societies.

With wholesale funds now more costly, the boot is on the other foot. Banks, and other financial institutions, have a vested interest in pushing up the rates offered to investors so they can divert the flow of money going to societies and force them to raise the cost of mortgages.

The big clearing banks already have announced moves to make their deposit accounts more attractive and more competitive with the societies. Last week, for example, Barclays introduced a new look for its Prime Account, which earns interest linked to the London money market rates. The balance needed to earn higher interest has been cut from £2,500 to £1,000 while the number of transactions that can be made without incurring charges have been increased.

However, the best bargains just now for savers with surplus cash probably are the high-interest cheque accounts, where rates of interest are linked directly with the trend in the London money market. They offer restricted forms of banking facilities while also paying interest that is very competitive with the societies.

The facilities differ from company to company, though. Some charge setting-up fees while others impose restrictions on the number of transac-

tions, such as writing cheques or paying bills by standing order, and charge if those limits are exceeded. So, what you gain in interest, you can lose easily in paying hefty extra charges.

There are also considerable variations in the minimum deposit required and the point at which different rates of interest start to be paid. The frequency with which the interest is credited — *daily, monthly or quarterly* — also makes a difference to the annual return you receive. Daily crediting, practised by Save & Prosper/Robert Fleming, boosts the capital sum and helps to make it competitive with accounts offering higher basic rates but crediting interest less often.

The basic interest rates offered by money market bank accounts are listed daily under the London Share Service section of the *Financial Times*.

At present, the AAB-Allied Arab Bank in London and the Provincial Bank in Altrincham, Cheshire, are paying the top rates — 12 per cent gross, equivalent to 9.2 per cent after payment of composite rate tax (23.25 per cent). This is equal to a compound annual rate of 12.81 per cent for a standard-rate (25 per cent) taxpayer.

With the bank base rate at 12 per cent, this is a good return to offer, especially with banking services thrown in and interest credited monthly.

Charles Stewart, senior manager of AAB-Allied, says it has to try harder if it is to attract the funds needed to support its move into domestic UK banking. In fact, it recently has reduced the minimum deposit needed to earn the highest rate of interest, from £3,000 to £2,000. You can put in less but, if your balance is between £1,000 and £2,000, the interest rate is cut by 5 per cent.

It is genuine free banking if you remain in credit, with no hidden charges. You have immediate access to your funds and there are no restrictions on writing cheques, or payments by direct debit and standing order. Each customer is assigned a personal account advisor and a supply of envelopes for sending deposits by Freepost, and receptions are held so that customers and the bank staff can get together.

You apply separately for additional services, like a Premier Visa charge card which is issued if your credit status is satisfactory. There is a safe deposit service plus a home loan scheme and you can arrange to pay overseas accounts in the local currency.

AAB has only two branches — one in the City of London and the other in the West End — employing a small staff but with a highly-sophisticated computer system. As the name implies, the bank — which was set up originally in 1978 to act as a bridge between the Middle East and Europe — is controlled by Arab interests but Barclays *has* a 20 per cent stake and is responsible for appointing the chief executive.

John Edwards

FINANCE & THE FAMILY

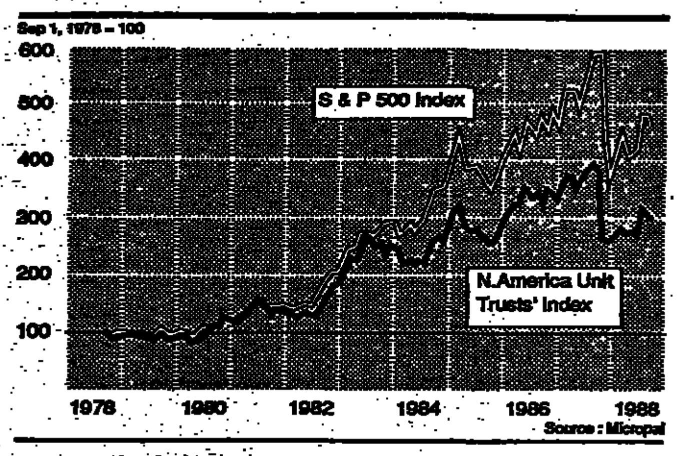
Christine Stopp analyses the growth prospects for North American unit trusts

Dull performances across the ocean

WHEN DOES a unit trust not outperform the return earned on a deposit with a building society? When it's the North American median fund to July 1988. Over five years to that date, £1,000 invested in the average US unit trust would have grown in value to only £1,091, while the same amount deposited with a building society would have increased to £1,457.

Over 10 and 15 year periods the US unit trust provided a better return than the building society, but not by a great margin bearing in mind that with the building society there is no risk of losing your original capital. A £1,000 investment over these five and ten-year periods in the average North American trust grew to £2,960 and £3,300 respectively, compared with £2,356 and £3,923 in the building socety.

The US may seem a natural place to invest for the UK. It produced some outstanding returns in the early 1980s, but since 1984 the market seems to have fallen apart. Producing a good return has depended very much on investment timing.



The graph, showing the unit trust sector average performance against the currency adjusted S & P 500 index indicates how hard it has been for managers to outperform the market.

Investors who sat tight have seen things go from bad to worse. The table shows the year-on-year performance figures (offer-to-offer) for the top five trusts over seven years to August 1. Anyone investing in *M & G American & General at* the end of 1984 would have been only 2.8 per cent ahead at the start of this year.

The top fund in the sector over one year to August 1 is Hill Samuel US Smaller Companies, with a 12.8 per cent loss. However, since February this year the sector has done well by comparison to other markets, with an average 5 per cent growth against 0.4 per cent in the UK and 4.8 per cent in Japan.

With not a lot of performance to crow about, North American fund managers will only admit to "cautious optimism" about the future. Bob *Pennells, associate director of* Hill Samuel Investment Management, sees a number of reasons for the troubled record of the last few years. Dollar weakness has been a major cause of poor returns for the UK investor, but Pennells also quotes the trend from active to passive investment management in the US.

The fashion for performance *mirroring the index has* led the US institutional investor to sell secondary and smaller company *stocks and* buy blue chip index companies. This has depressed the performance of second line stocks, which were formerly the life blood of managers out to beat the index.

Pennell now thinks another shift in investment fashion is taking place: "We are in a changing period. It takes time for these effects to wear off, but over two or three years the move to passive management will be questioned."

A spokesman for Mercury also described a change in the character of the US market, linked to internationalisation and the greater sophistication of block trading and financial *futures. Faster moving mar*kets have resulted in greater volatility and investors thinking shorter term. The Mercury house view is that markets are now calmer and investors are driven by less speculative, more realistic, objectives.

Edward Belsey of Cigna International Investment Advisers manages the Crusader North American Growth Trust, second in its sector over a year. He sees the future tied to the dollar, and the dollar itself linked to the outcome of the impending Presidential election: "The downside in the US – if you think there's going to be a Republican victory – is limited," he claims.

Belsey has 10 per cent – 15 per cent liquid (cash) in his fund at present, whereas the other two funds are fully invested. But, like the other two managers, he believes in good possible gains at some point in the future from US trusts, and feels 1989 might provide the opportune moment to invest.

The other two were unwilling even to commit themselves this far. Both felt that *short-term* prospects were very uncertain, unless the investor is prepared to take a bet on the election and the dollar's fortunes.

A number of reasons for optimism were quoted: the likelihood of a strengthening dollar; low interest rates by international standards; and some improvement in the US the trade and budget deficits.

"We would expect the US equity market to move forward and prove relatively attractive against other markets," is the Mercury conclusion.

"The time to get in? Very hard to say". That is the cautious shared view. Edward Belsey's advice to the investor more averse to risk goes back to the beginning. "If you can earn a decent rate of interest risk-free in the building society, I should stick with it for the moment."

Performance of top five N. American unit trusts 1982-87 (percentage change per year, offer-to-offer prices)

Fund	1982	1983	1984	1985	1986	1987
M & G American & General	46.1	37.0	26.0	19.0	7.0	-19.6
M & G Recovery	59.6	46.9	8.3	16.0	5.1	-21.5
Fidelity American	49.3	35.3	6.8	3.1	23.7	-16.8
Abbey American Growth	32.3	27.8	16.5	19.9	7.6	-14.3
Save & Prosper US	49.9	34.7	0.1	17.3	10.4	-14.9

Source: Unit Trust Year Book

Legal growth

GO TO your friendly solicitor for financial and investment advice.

That is the objective of the Law Society's recent decision to link up with Sedgwick Personal Financial Management, part of the big multinational insurance broking group, to form a new company called Solicitors Financial and Property Services.

The company will enable solicitors to tap into the investment and financial expertise of Sedgwick, an independent financial adviser authorised by *Fimbra, the Financial Interme*diaries, Managers and Brokers' Regulatory Authority. By using computer-based viewdata network systems, solicitors will be able to get price quotations in minutes and will be able to judge which life companies and unit trust groups fulfill the "best advice" criteria.

Solicitors will also have access to Sedgwick personnel for expert advice on tax planning, school fees, capital investment and pensions.

The service is not confined to investment products. It will include mortgage arrangements, with a review of mortgage terms from the various lending sources and general insurance advice.

The Law Society feels that solicitors will have the edge in offering financial advice because they have to be "commissions transparent" in their dealings with clients.

Not only do solicitors have to disclose any commissions received automatically to clients. They also have to give them back to clients, either offsetting them against their fees or in the form of enhanced benefits.

This requirement applies even if the solicitor is not authorised and passes on clients to an independent financial adviser. Any introductory fee received must be declared and passed back to the client.

However, with the new company, commissions will be split *between the solicitor* and Sedgwick. For example with a low cost endowment the split would be 70 per cent to the solicitor and 30 per cent to Sedgwick.

So the client would only get 70 per cent rebated, instead of 100 per cent, though presumably the fee charged by the solicitor would be lower to reflect the fact that the investment research has already been carried out.

The Law Society intends to carry out a major marketing exercise among solicitors highlighting the merits of using the company.

Andrew Lockley, head of the society's legal practice directorate, said: "We want to see solicitors playing a major role in the financial services arena".

Eric Short

BRIDGE

MY FIRST hand today, which comes from rubber bridge, is somewhat elementary, but the declarer still managed to go down:

N
♠ Q 3 2
♥ 6 4
♦ 7 5 4 2
♣ K 7 3 2

W
♠ 5
♥ Q 10 9 8 5 3
♦ Q 10 9 6
♣ 9 6

E
♠ 8 7 6
♥ J
♦ K J 3
♣ A Q J 10 8

S
♠ A K J 10 9 4
♥ A K 7 2
♦ A 8
♣ 4

South dealt at game to North-South, and opened with an Acol two spades. His hand, with eight certain tricks, is ideal for this one-round force. North replied with two no trumps, which denied a positive response. East came in with three clubs, and South rebid three hearts. With three spades to the queen and a doubleton in his partner's side-suit, North jumped to four spades, and all passed.

West led the nine of clubs, East took with his 10, and made the shrewd return of the six of spades. The declarer took with his ace, and cashed the heart ace, on which East produced the knave. South followed with his heart king. East ruffed and returned his last trump. South won, ruffed a heart, but was forced to go one down, losing one club, one diamond, one heart, and one heart ruff.

Admittedly, it was unlucky to find the hearts divided 6-1, but that difficulty could have been overcome. After cashing his heart ace, the declarer should follow with the two. West wins, leads his last club – there is nothing better – which is ruffed in hand. Now South ruffs the seven of hearts with dummy's queen of spades, draws trumps, and claims contract. The second hand is from teams-of-four:

N
♠ K 6
♥ 8 3 2
♦ K Q J 9 6 2
♣ K 7

W
♠ J 10 9 7 5 2
♥ 5 4
♦ —
♣ Q J 10 5 2

E
♠ 8 4
♥ A 10 9 7
♦ 10 8 7 5 4
♣ 9 4

S
♠ A Q 3
♥ K Q J 6
♦ A 3
♣ A 8 6 3

South dealt at game all, and opened the bidding with two no trumps, promising 20 to 22 points. North envisaged a slam, and replied with four clubs. Four no trumps would be quantitative, so North bid four clubs - the Gerber convention, asking for aces. South replied with four no trumps, showing three aces, so North settled for six no trumps, and all passed.

West led the club queen. The contract appeared to be cold, but the declarer, an expert, saw that, if East held all five diamonds, there might be trouble. With this in mind, he won the club lead in his own hand - a vital decision. He cashed the diamond ace, and West's failure to follow suit showed declarer's wisdom in keeping the club king intact as entry to dummy. He crossed to the diamond king, and returned a heart, East ducked, and the king won. He crossed again to the spade king, and led another heart; East playing low again, and the queen won.

Cashing ace and queen of spades, the declarer entered dummy via the king of clubs, and led the last heart. East, who had been forced to throw a heart, had to take, and lead a diamond into the tenace in dummy.

A straightforward play, but it is, in fact, a type of squeeze and throw-in.

E.P.C. Cotter

FINANCE & THE FAMILY

Quaint — and quite illogical

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Before the last Budget, my wife had made a number of covenants in favour of our grandchildren. The majority of her income comes, at the moment, from building societies where tax has been deducted at the composite rate.

I realise that the tax deemed paid is not available for a repayment claim, but I should be obliged if you would tell me if it is counted as paid for the purpose of ascertaining if the tax deducted from the covenant payments has been accounted for to the Revenue.

There is no problem provided that the actual (net) amount of your wife's building society dividends or interest in each tax year is at least equal to the gross amount of her covenanted annuities. *This quaint* rule is to be found in section 476(5)(d) of the Income and Corporation Taxes Act 1988: it has no basis in logic.

After the crash...

On the morning of October 19, 1987, without any knowledge of what was going to happen on the stock market, I went to my assurance office to cash some investment bonds. This was agreed. I was quoted a price, signed withdrawal application forms (which were witnessed by an investment manager) and went on my way.

That afternoon, the manager rang to advise that, if I was not desperate for money, I should leave the bonds with them as the market had crashed. I told him that, as far as I was concerned, the deal had been struck. What is the position?

On the facts which you postulate, a contract was made on the morning of October 19 and you are entitled to hold the manager to it.

No CGT on this bequest

1. I am an executor to a person who has shares valued around £70,000. These have been held for many years and have risen substantially in value. They are very unlikely to be sold before death. Assuming that the value will remain roughly the same, will there be any capital gains liability on sale or transfer to the beneficiaries following death?

2. What happens if one of the two beneficiaries of a will is already dead? Does the estate all go to the other?

1. No. Section 49 of the Capital Gains Tax Act 1979 provides exemption on sale or transfer to beneficiaries of shares held by the deceased.

2. *If the gift is to a named* beneficiary, his/her death before the testator means the gift lapses — that is, it does not take effect and its subject matter falls into residue. But a gift to a child or other issue of the testator will not lapse if the devisee/legatee leaves issue surviving him or her and surviving the testator: see Section 33 of the Wills Act 1837.

Australian dividends

Can you clarify the position concerning dividends in an Australian company. In 1987, this company introduced an "imputation taxation system," which I find very confusing. Previous dividends were subject to a "withholding tax" at 15 per cent, and additional tax up to the UK standard rate was levied by the Inland Revenue.

I attach a copy of a recent dividend statement which says: "This is a fully-franked dividend," but which shows the same figure of A$483.15 (£182.82) under "gross" and "net" dividends with a tax rebate of A$464.20. Can you please explain this? Which amount should I report on my tax return and can the "tax rebate" can be set against my UK income tax assessment?

Incidentally, I queried this with my bank which referred me to my stockbroker who, in turn, merely suggested I should send the dividend statement to my tax office. The company's head office in Melbourne said I should consult my taxation agent or tax department.

You have met surprising ignorance (we think it was ignorance, rather than disinclination to help you).

The amount to be reported in your tax return is £182.82: viz, the sterling proceeds of the dividend warrant for A$483.15. When you paid the dividend warrant into your bank account, the bank ought to have deducted 27 per cent UK income tax, but it seems that it omitted to do so.

The "tax rebate" figure of A$464.20 (viz, 49 per cent of the "amount to be declared on Australian tax return" — A$947.35) is, unfortunately, of no consequence to you as a resident of the UK. You are liable to full UK tax on the net amount received — £182.82.

Since the Australia-UK double taxation convention has been under renegotiation since 1984, we do not expect that these negotiations will result in any improvement in the UK tax treatment of Australian dividends. The UK tax system is designed to discourage equity investment in countries (outside the EEC) which have *followed the UK's lead in* switching from a classical system of dividend taxation to an imputation system — a switch which the UK made in 1973. This policy appears to be based upon expediency rather than *logic, like certain other aspects* of present tax policy.

Claim is spurious

Company A, of which I am a director, was advised by an estate agent of a property owned by a local authority which was being offered by tender. Company A's offer was accepted but it did not have the resources to buy and develop the property. So, it came to an arrangement with a builder/developer (Company B) that the latter would buy the property and carry out the necessary building works, with the profit on the sale of the *completed development* being divided between the two companies. Company B paid the agent on acquiring the property, on the letting of the completed development, and on its subsequent sale.

The agent then claimed he had an oral agreement with the managing director of Company A that half of its profits should be paid to the agent, who then rendered a bill to A for management advice on the development, letting and disposal of the property.

My contention is that it is a *spurious bill* since this advice was rendered to, and paid for by, Company B. In any event, if the agent did receive anything from Company A, the agent should account to B (his principal) and I have quoted Hippisley v. Knee and Reading v. Attorney-General in support. However, I do not appear to be getting anywhere. The professional body of which the agent is a member is equally *evasive. Am I right?*

We agree with you that the agent's claim appears to be spurious. Even if he were able to establish that he had an oral retainer by Company A, such as he claims, his retainer by Company B to do the same work in relation to the same property was inconsistent with his retainer by Company A and amounted to a release of his former contract. In any event, *the agent has given Company* A no consideration, his services having been rendered to Company B. We do not think it would assist your case in practice to pursue the A-G v. Reading point, although it is probably correct.

Damper on friendship

I have a considerable amount of damp in one of my outside walls despite there being a damp-proof course, laid in 1985. The contractor responsible has inspected the wall and declared the cause to be a gravel path in my neighbour's garden, which runs alongside my wall, sloping from 6in below the damp proof to 3-4in above it.

This path apparently was raised to its present level after the damp proof was laid and before our present neighbour moved in. Can you suggest a permanent solution to this problem that would leave me on amicable terms with my neighbour?

Unfortunately, the only solution appears to be to lower the level of the gravel path which is causing a common-law nuisance. We cannot say whether that can be done without disrupting your relationship with your neighbour.

Chess

THE ANNUAL Ohra Insurance congress in Amsterdam is always a highlight of the European chess circuit. Staged late in July and early August at the Grand Hotel Krasnapolsky, it consists of an elite group of six, a grandmaster tournament, and various open and youth events. Unfortunately, it often overlaps with the Kleinwort Benson British championship so there are few participants from the UK.

Amsterdam 1988 ended in yet another revival by the irrepressible Viktor Korchnoi, whose results at age 57 naturally are more variable but who continues to defy commentators who claim he is burnt out. Korchnoi won with 6/10 ahead of Nunn 5½, Hort, Nikolich and van der Wiel 5, and Ljubojevich 3½.

In the GM group, there were two significant performances: the 20-year-old Russian, Boris Gelfand, already European junior champion, tied with the experienced Gulko (US) and Lobron (West Germany) to record his first grandmaster result; while Tony Miles, recovering from a period of poor form, was just half a point behind the winners.

John Nunn had one embarrassing moment. In a recent series in the monthly magazine *Pergamon Chess*, he analysed the Dragon variation of the Sicilian Defence and concluded that its critical lines clearly were in White's favour. Nunn's solitary defeat at Amsterdam came against the tail-ender Ljubojevich — with the white pieces in a Dragon Sicilian.

Such happenings are an occupational hazard of writing about opening theory, as I can testify from my own experience. The Dragon is analysed so deeply that a slight nuance can refute or revive the entire system. In Nunn v. Lubo, the critical innovation by which the Yugoslav gave the opening a new lease of life came as late as move 21.

This week's game was more typical of Nunn's incisive use of the white pieces. It often happens in the French Defence that White ends up with a chain of pawns on dark squares, with Black having a corresponding group on light squares. The question then is which side can transform his static formation into a more dynamic mobility.

The key to Nunn's white strategy is his 12 Q-N3 which drives the black rook to a passive square and effectively immobilises Black's K-side pawns. Once Black castles queen's side, the white pawns advance to attack and Black can find nothing better than a lone queen raid. This is beaten back with heavy material loss, and Nunn scores the quickest win of the tournament.

White: J. D. M. Nunn (England).
Black: V. Hort (West Germany).
French Defence (Ohra Amsterdam 1988).

1 P-K4, P-K3; 2 P-Q4, P-Q4; 3 N-QB3, B-N5; 4 P-K5, Q-Q2; 5 B-Q2, N-K2.

More consistent with Black's fourth move — which varied from the normal P-QB4 — is 5 ... P-QN3, to exchange the light squared bishops by B-R3.

6 Q-N4, N-B4; 7 B-Q3, P-KR4; 8 Q-B4, N-B3; 9 BxN.

Correct timing, before Black can reinforce his knight outpost by QN-K2.

9 ... PxB; 10 N-B3, BxN; 11 BxB, Q-K2?

Loss of time, since the queen returns to Q2 six moves later. More thematic are 11 ... P-QN3 or 11 ... N-Q1 planning P-KN3 and N-K3.

12 Q-N3! R-R2; 13 P-KR4, B-K3; 14 B-Q2, 0-0-0; 15 0-0, Q-Q2; 16 P-N4, N-K2; 17 P-R4, K-R3?

Losing by force, but otherwise White's attack gains momentum steadily by P-N5, P-R5, KR-N1, B-N4 and switching the queen to QR3.

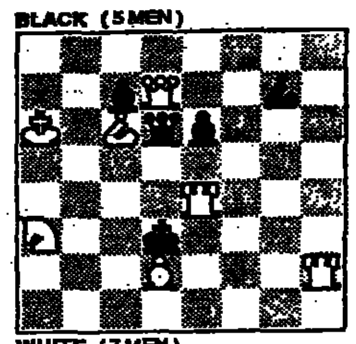
18 P-N5, QxBP; 19 KR-B1, P-B6.

Probably, Black missed the simple fork 19 ... Q-K5; 20 N-N5.

20 Q-N5! Resigns. White wins the knight.

PROBLEM No. 739

BLACK (5 MEN)



WHITE (7 MEN)

White mates in two moves, against any defence (by A.C. White). Acclaimed by earlier solvers as "elegant and difficult to crack," this problem won first prize. The black king is trapped in the white camp with no legal moves.

Solution Page XXIII

Leonard Barden

PROPERTY

Notorious landmark hits the spotlight

***John Brennan** discovers that Centre Point is about to be fully occupied for the first time*

LONDON'S best-known empty building, Centre Point, is about to be occupied fully for the first time in its 25-year history. The West End offices have been home to the Confederation of British Industry, and a number of smaller occupiers, for some years and the shop space in the podium behind the office tower has long been filled with tenants who are not too sensitive about being isolated from any but the bravest of passing trade by one of the busiest road junctions in London.

Now, though, a full quarter-century after architect Richard Seifert's 385ft honeycomb of glass and concrete loomed into being at the eastern end of Oxford Street, the apartment block tagged onto the scheme to please the planners finally is being prepared for occupation.

Once the country's number one target for organised squatters, the 36 flats in Centre Point House are being refitted at a cost of £2.5m — not far short of the initial construction cost of the whole 302,000 sq ft project, which was started back in 1963. All the two-level flats between the third and eighth floors of the block are scheduled to be completed by November, but joint agents Batty Stevens Good (01-636 2736) and Douglas, Lyons & Lyons (01-235 7933) will be unveiling the first of the show flats in the next few weeks.

Leases of only 35 years have helped to put a ceiling on prices. Yet, at just £145,000 (£185 a sq ft) to £155,000 for the standard-sized, 785 sq ft, two-bedroom units, plus around £3,000 a year in rates, service charges and ground rent, the flats that scandalised a generation by remaining empty so long are, even now, unlikely to make much of a dent in Camden Council's housing waiting list.

The agents expect their share of buyers keen to live in what could claim fairly to be the most central building in London. And with the traffic-blighted St Giles High Street outside, there is a guaranteed, 24-hour supply of taxis outside the front door. But, as a base right over the Tube and reasonably close to the City, the flats are aimed primarily at the market for business *pied-à-terres*.

Ready for sale: a show flat in Centre Point

Once notorious but now accepted as a landmark building on half a dozen counts, Centre Point's starring role in the history of post-war property development in Britain was assured by the public and political outcry at the sight of 35 floors, with 202,000 sq ft of offices, standing empty for year after year in the 1960s and early 1970s. Developer Harry Hyams always protested that the space was available for tenants. But, at a time of fast-rising commercial property rents, it made commercial sense to leave a building unoccupied so that its capital value (along with the developer's borrowing power to carry out other schemes) could rise in line with prospective rents rather than being pinned to some fast-outdated, actual, taxable rent.

This aspect of 1960s development caused a storm of protest and, being the most visible example of unused space and rising paper values, Centre Point fast became synonymous with the excesses of the property boom. The scheme was referred-to constantly in the arguments that led to changes in the law on property development taxation, in new guidelines for local authorities when agreeing planning gains with developers, and in the introduction of rate charges on vacant commercial properties.

It is no coincidence that Centre Point was adopted as the name for the most active of the organisations finding emergency accommodation for homeless youngsters drifting into central London. And, given the bitterness of the complaints late in the 1960s by industrialists such as Lord Stokes of British Leyland, who railed against the City's willingness to attach greater value to an empty office block than a major manufacturing group such as BL, there also is an unconscious irony in the CBI's eventual choice of Centre Point as its base.

Last September, MEPC Ltd acquired Hyams' Oldham Estates group, a deal that set in train the moves to fill the flats. Colin Sheppard, who is the regional director of MEPC subsidiary Metestates and responsible for Centre Point, first persuaded Camden Council to withdraw a compulsory purchase order it had issued on the block (although this was unlikely to be exercised because of the cost).

With this legal impediment removed, he let Metestates' in-house architect, Kenneth Middle, loose on the spartan 1960s' flats. Middle came up with as stylish a refitting job as possible in units with a floor plan that reflects the outer curves of Seiffert's structure and which, although unused, had decayed with time.

The flats now taking shape behind the scaffolding have two double bedrooms, bathroom, fitted kitchen and living room with a mini-balcony. On the upper floors, the views are either past the office tower and over Tottenham Court Road to Soho or, at the back, across an undistinguished brick building that every taxi-driver used to point out as the top-secret headquarters of the security organisation MI5 (before the spies became embarrassed at being treated as a tourist attraction and moved out) to the rooftops of Covent Garden.

By allowing only 35-year leases (in line with the office and shop space), MEPC has retained its option to knock down the block in the year 2023 and start again. (That, of course, pre-supposes that Centre Point will not by that time have come full circle and be a revered and heavily-protected listed structure). But, in any event, to judge by Sheppard's enthusiastic thoughts about changes to the building, Centre Point will start to look different long before the leases run out.

One possibility is for external lifts rising up the sides. Another is for MEPC to sweep away the building's famous (but, somehow, pointless) roadside fountains, redirect car access in and under the block from the back of the site, and glass-in the whole base to cover the office entrance area and access to the underground railway station. Changes on that scale would help to end the traffic island desolation of this end of Oxford Street, and they would bring some life back to the pavement.

Whether the flat refits presage a new look for the whole of Centre Point remains to be seen, but one thing Sheppard has done already is to get at least some sort of answer to a question that has bemused the local council, housing action groups and countless passers-by for a couple of decades. Sheppard asked the reclusive Hyams why he had left the flats empty for all these years. "It was quite simple," said Sheppard. "All he told me was that 'I don't like residential management'."

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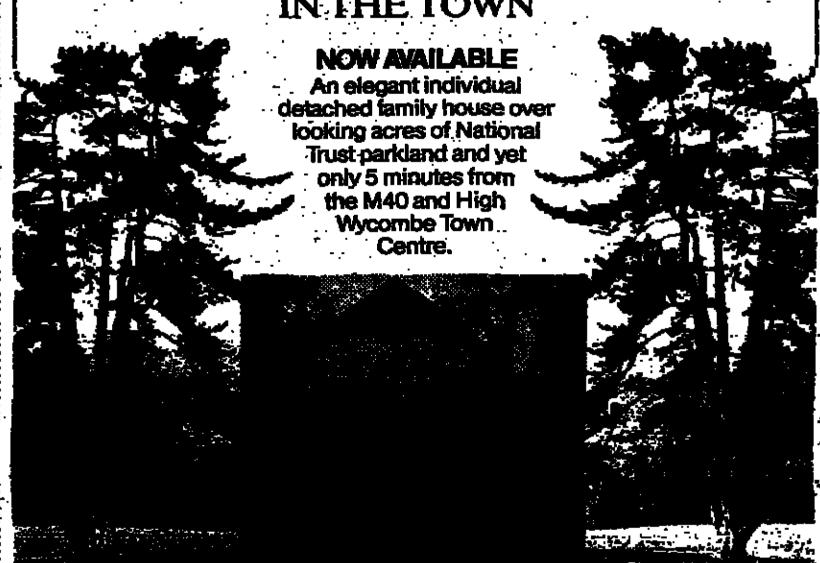

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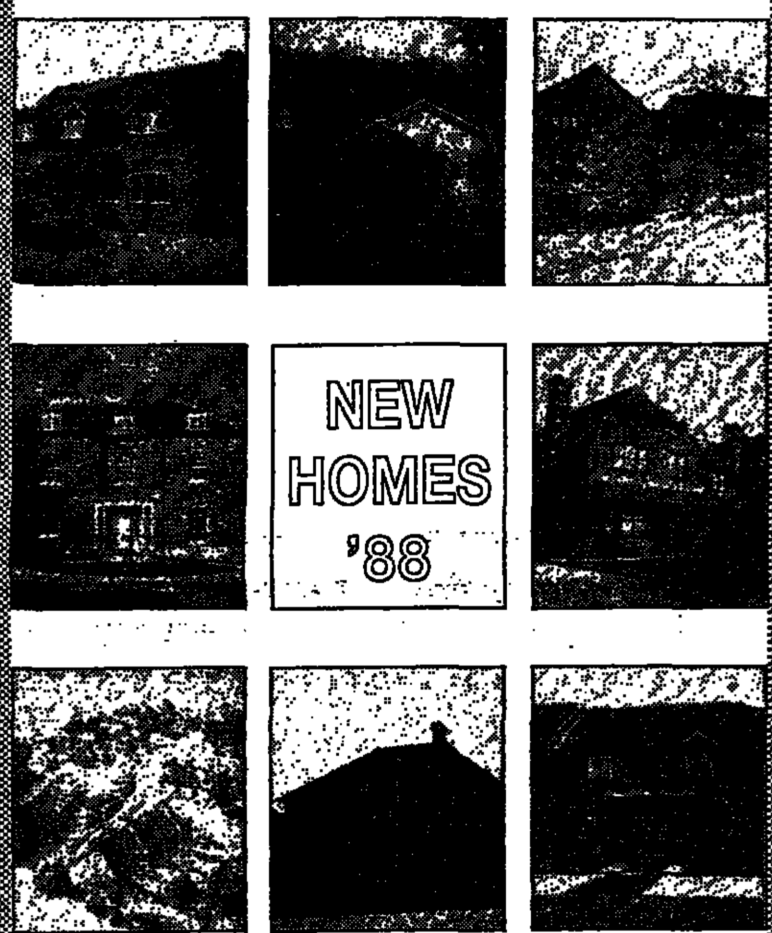

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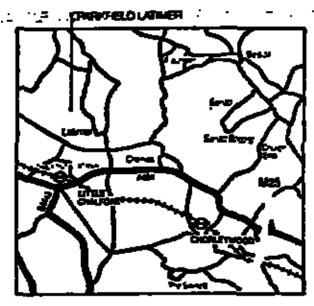

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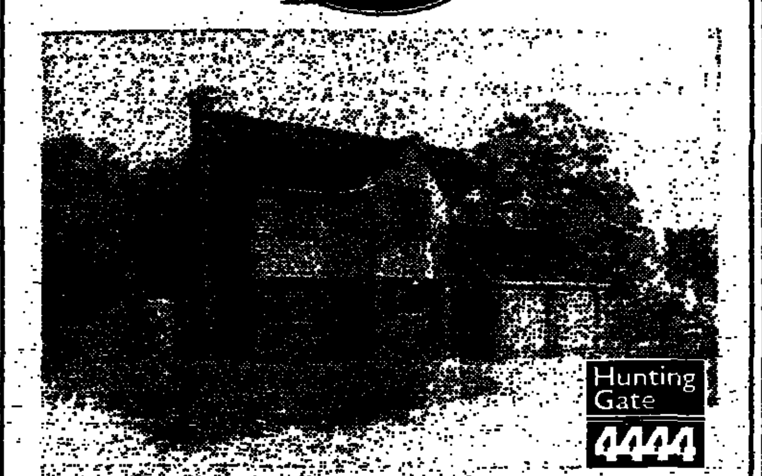
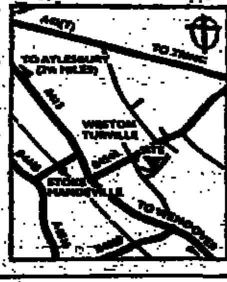


"St. Mary's Glebe" forms part of the land held in trust and administered by the Oxford Diocesan Board of Finance for the benefit of all the clergy in the Dioceses. In conjunction with them Hunting Gate Homes are proceeding with this their second joint venture. Seventeen four and five bedroom family homes of high quality are to be developed, with sympathetic consideration given to the use of materials and harmonious blending of house types to complement the existing environment.



Weston Turville itself has excellent road and rail communications, with the village being just a short distance from the A413. A frequent railway service from Aylesbury (2½ miles) to London will take the traveller some 60 minutes to arrive at the main line station Marylebone.

For further details contact selling agents Raffety Buckland, 1 Crendon Street, High Wycombe, Bucks, telephone (0494) 462626, or Hunting Gate Homes Ltd., 3/4 Park Street, Hitchin, Herts. SG4 9BT, telephone Hitchin (0462) 31244.

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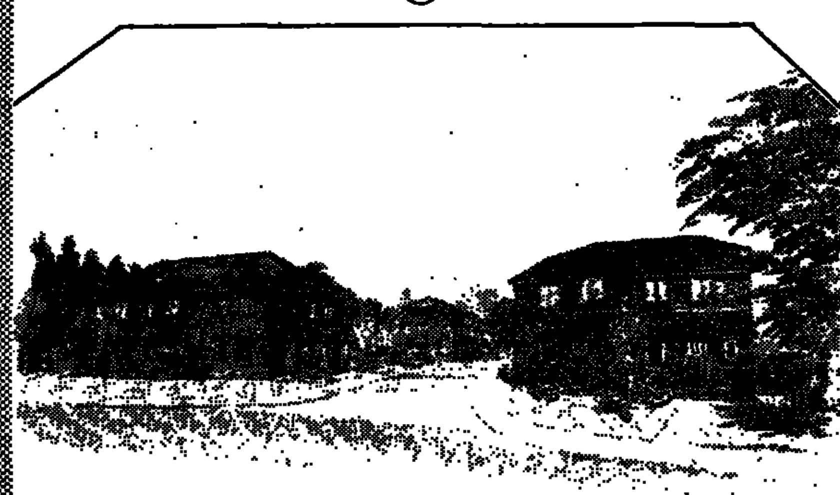

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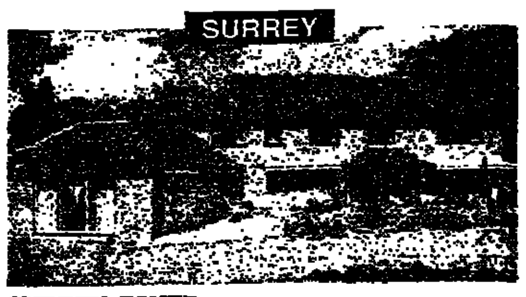

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A fine recently built executive property situated in one of Esher's most prestigious private roads and offering superb accommodation to a very high specification. 4 receptions, 5 bedrooms, 3 bathrooms, kitchen & utility, sauna/shower room. Double garage. Landscaped south facing gardens.
Offers in the region of £685,000 Freehold.
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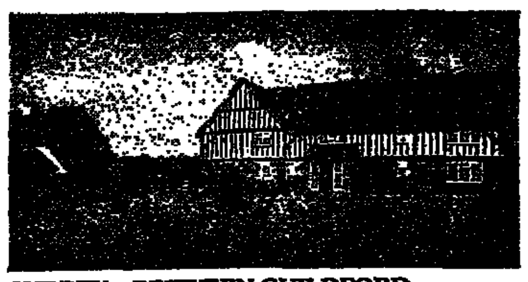

SURREY – BETWEEN GUILDFORD AND FARNHAM
A charming period house with guest bungalow, grooms flat, superb stabling with 35 loose boxes and indoor and outdoor riding facilities, forming an ideal equestrian estate. Set in secluded grounds with swimming pool, tennis court, together with large grass enclosures. In all about 81 acres.
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A substantial Georgian family house, standing in gardens and grounds of 1¼ acres, in an attractive and extremely convenient position. 5 double bedrooms, 2 bathrooms, separate WC, hall, 3 receptions, cloakroom, kitchen/breakfast room, utility. Garaging. Cellar. Outbuildings. Tennis Court.
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A fine and imposing modern country house set in secluded park like grounds of about 10 acres. 3 receptions, kitchen/breakfast room, utility, 2 master suites, 3rd bedroom, shower room. Guest annexe of 3 rooms and further bathroom. Garaging. Delightful gardens with distant views.
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SUFFOLK – NEAR NEWMARKET
Delightful Grade II Georgian farmhouse. Hall, 3 receptions, breakfast room, kitchen, utility/cloakroom, master bedroom suite, 3 further bedrooms, bathroom. Garaging. 2 loose boxes, stable block (with P.P. for conversion to guest annexe). Gardens and grounds of about 13 acres. Further 17 acres and group of farm buildings available separately.
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A stunning and substantial 6 year old family house with exceptional living accommodation incorporating indoor swimming pool. 3/4 receptions, 6 bedrooms, 3 bathrooms, kitchen/breakfast room, utility, 2nd floor games room, hard tennis court. Double garage. 1 acre gardens.
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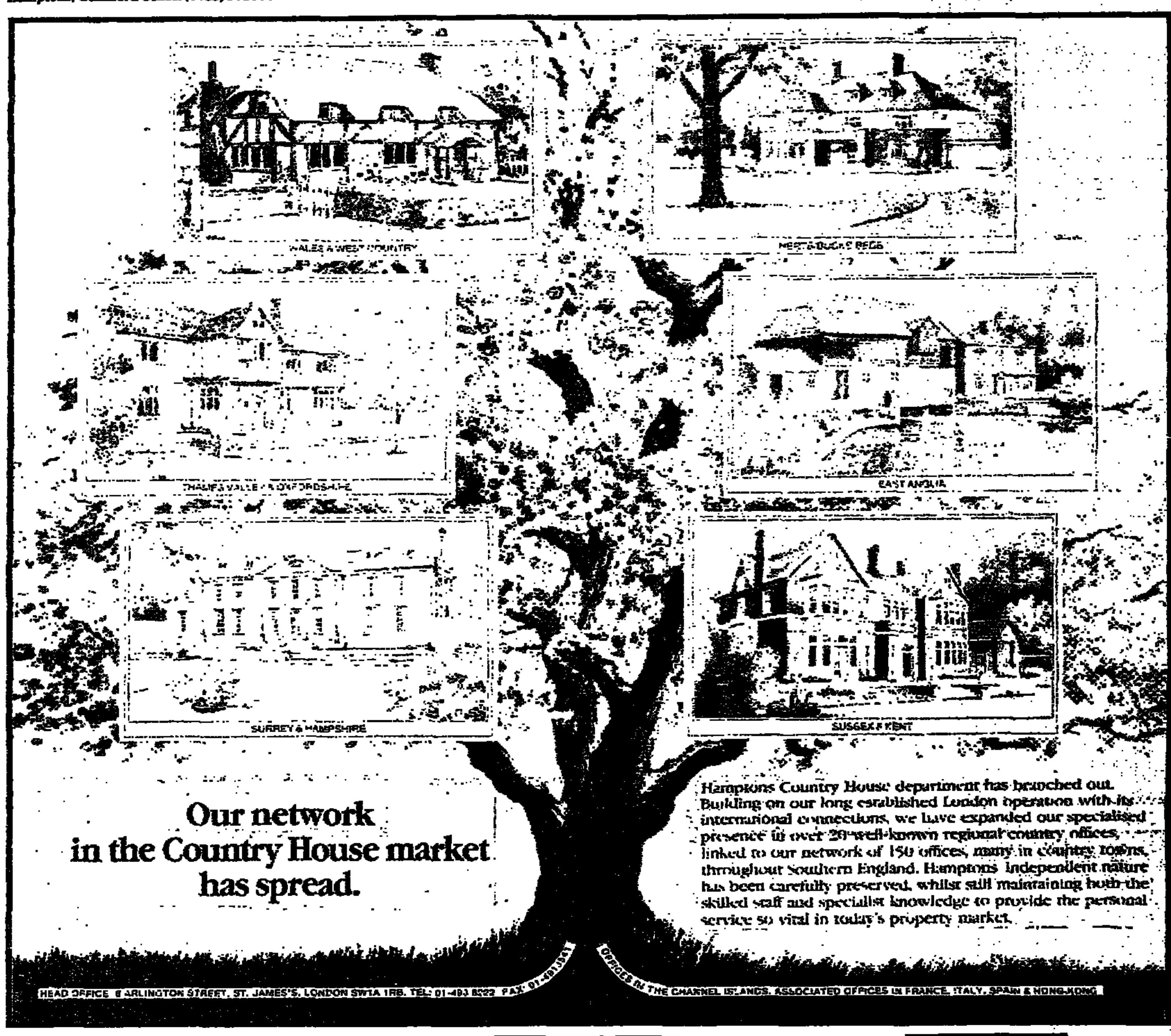

HERTS & ESSEX

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Magnificent detached modern property finished to an exceptionally high standard. Entrance hall, 3 receptions, bar area, kitchen/breakfast room, utility, master bedroom suite, 4 further bedrooms (1 with en suite shower), bathroom. Garaging. Swimming pool complex. Floodlit terrace and barbeque.
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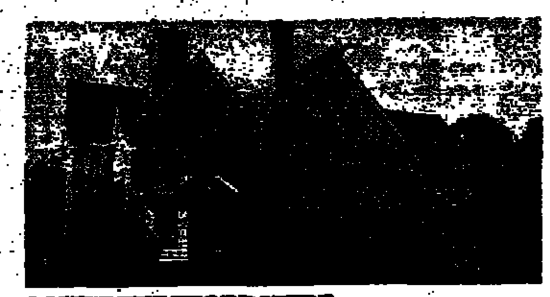

SOUTH HERTFORDSHIRE
Elegant and secluded Victorian residence amidst delightful grounds of approximately 6 acres. Reception hall, 4 receptions, kitchen/breakfast room, utility, cloakroom, sauna, 2 bedroom suites, 6 further bedrooms, 3 further bathrooms. Wine cellars. Garaging. Games room. Swimming pool and pool house. Video security.
Substantial offers invited for the Freehold
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A charming Grade II Listed property with far reaching views. Hall, 3 receptions, kitchen, conservatory, cellar, utility/office. 2 bedrooms with en suite showers, 2 further bedrooms, bathroom. Heated swimming pool, changing rooms, summerhouse. Outbuildings, kennels. Immaculate gardens of about 2 acres.
Offers invited in excess of £365,000 Freehold
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Hamptons Country Department: 01-493 8222

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An exceptionally well proportioned 3 year old family house in delightful grounds with excellent nearby communications to Central London and the airports. 5 receptions, 5 bedrooms, 3 bathrooms, kitchen/breakfast room, utility, self-contained flat. Double garage. ⅔ acre gardens.
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Superior and elegant country residence of quality in prime location. Hall/study area, 2 cloakrooms, 3 receptions, kitchen, 5/6 bedrooms, 2 bathrooms. Top floor suite, suitable for conversion to Staff Flat. Double garage. Delightful ½ acre garden.
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KENT, CROCKHAM HILL, NR EDENBRIDGE
Delightful country house dating from 15th century. Listed Grade II. Reception hall, cloakroom, 2 receptions, breakfast room, kitchen, utility, master bedroom suite, 4 further bedrooms, 2 further bathrooms. Games room/bedroom 6. Garaging, stables, tennis court. Gardens and grounds of about 2 acres.
Offers invited for the Freehold
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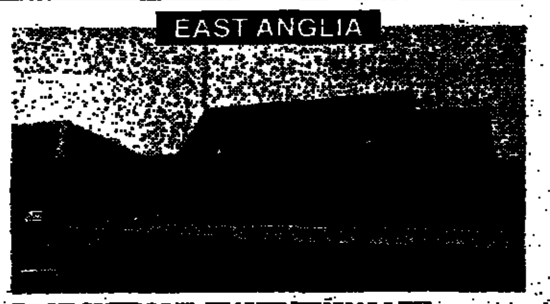
EAST ANGLIA



EAST SUFFOLK, WAVENEY VALLEY
Spectacular barn conversion in superb rural setting close Bungay and Beccles. Double height staircase hall/sitting room, 3/4 receptions, kitchen/breakfast room, cloakroom, utility, 4/5 bedrooms, 3 bathrooms. Full CH. Garaging. Gardens and grounds in all over 2.75 acres.
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An outstanding house in magnificent gardens & grounds including a lake and paddocks. Hall, 3 receptions, kitchen/breakfast room, utility, cellars, 6 bedrooms, 3 bathrooms. Oil fired CH. Garaging. Stable block. Hard tennis court. Swimming pool. About 21 acres.
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SURREY, OAKWOODHILL
A substantial country house dating from the 16th century. Reception hall, 3 receptions, kitchen/breakfast room, cloakroom, 5 bedrooms, 2 bathrooms, shower room, staff accommodation. Gas CH. Office. Garage block with flat over. Hard tennis court. Luxurious pool complex. Gardens and grounds of approximately 8 acres.
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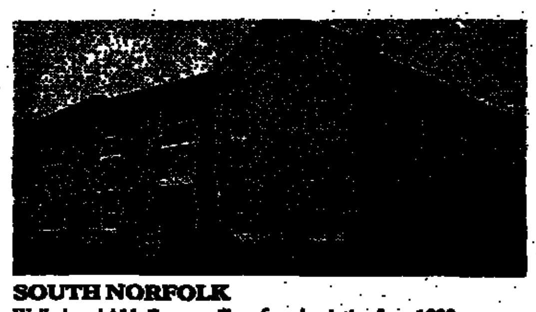
SURREY – BETWEEN GUILDFORD AND DORKING
Superbly appointed, with stunning views and magnificent swimming pool complex. 3 reception rooms, luxury kitchen, 4/5 bedrooms, 3 bathrooms, games room. Garage block. Stabling. Landscaped gardens of 1½ acres.
Price Guide £500,000
Hamptons, Guildford Office: (0483) 572864

KENT, BETWEEN SEVENOAKS AND MAIDSTONE
Substantial imposing country house built approximately 1880 with far reaching views. Reception hall, 3 receptions, kitchen, utility, cloakroom, master bedroom suite with dressing room, 2 further bedroom suites, 4th bedroom. Gas CH. Garage block with workshop. Delightful gardens and grounds, in all about 4 acres.
Offers in the region of £400,000 Freehold
Hamptons, Sevenoaks Office: (0732) 460222



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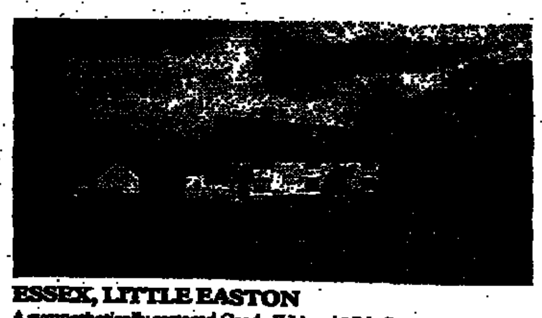

ESSEX, LITTLE EASTON
A sympathetically restored Grade II Listed 17th Century property retaining many period features. Hall, 2 receptions, breakfast room, kitchen, 4 bedrooms, 2 bathrooms. Staff cottage. Double garage with games room over. Over 3 acres of landscaped gardens.
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Sensational and substantial house offering great charm and elegance, ideal for entertaining. Entrance hall, cloakroom, grand reception hall, 3 receptions, kitchen, master bedroom suite, 3 further bedroom suites. Garage block. Staff flat. Swimming pool. Stunning gardens and grounds.
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SURREY – HASLEMERE
A unique contemporary style family residence set in a lovely garden setting with views to the South Downs. 3 receptions, kitchen, breakfast room, bedroom/bathroom suite, 3 further bedrooms, luxury bathroom. Double garage. Gardens and woodland of about 5 acres.
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KENT/EAST SUSSEX BORDERS, LYE GREEN
Impressive and substantial country house dating from the 14th century. Hall, cloakroom, 2 receptions, farmhouse style kitchen, breakfast room, utility, master bedroom suite, 4 further bedrooms, bathroom. Self contained garden cottage. Heated swimming pool. Double garage. Barn. About 6 acres.
Offers in the region of £435,000
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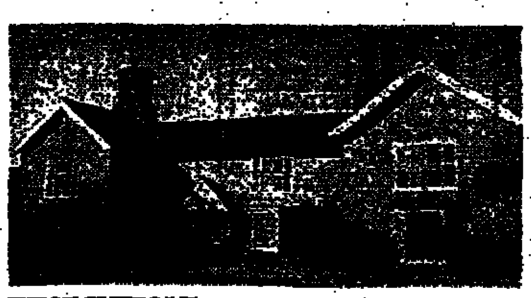

WEST SUFFOLK, CLOSE BURY ST EDMUNDS
Outstanding country residence dating from medieval period. Fully restored with superb period features. Reception hall, 5 receptions, kitchen/breakfast room, cloakrooms, utility, 6 bedrooms, 2 bathrooms, dressing room, attic room. Full CH. Garaging. Outbuildings. Landscaped grounds of 2 acres.
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HERTFORDSHIRE – MOOR PARK
A magnificent family residence in the heart of the private Moor Park Estate set in delightful grounds of ½ acre. Entrance hall, 3 receptions, kitchen, breakfast room, utility, 5 bedrooms including master and 2 guest suites with shower rooms, 2 further bathrooms. Garage and workshop.
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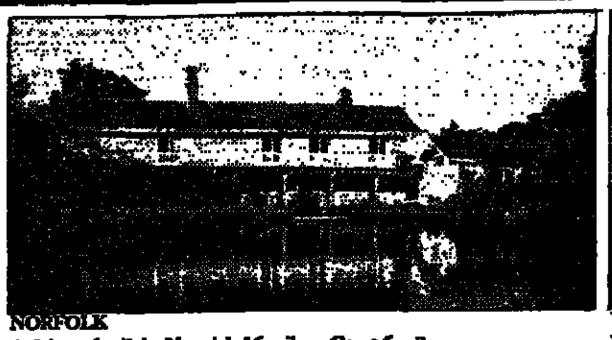
Norwich office: Tel. (0603) 617431 Ref. 9BB/2534.



NORFOLK
Aylsham 6 miles. Norwich 16 miles. Coast 5 miles.
A rare opportunity to acquire a former mill house in an idyllic situation overlooking its own 12 acre lake, in an area renowned for its variety of wildlife. 3 reception rooms, 4 bedrooms.
Thatched boathouse. 12 acre lake. Woodlands. About 18 acres.
For sale by tender on Friday 14th October 1988.
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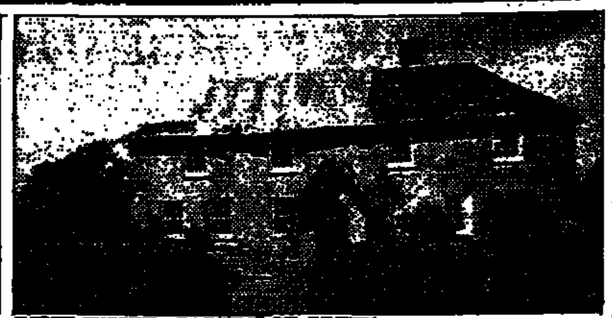
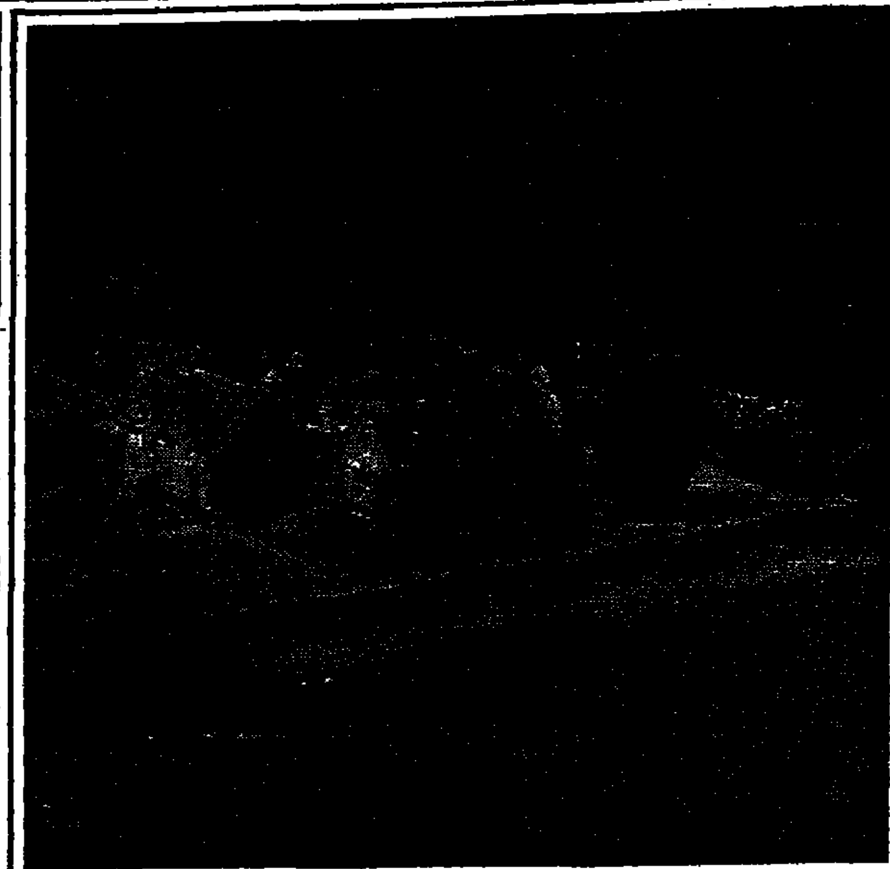


WEST SUSSEX - PARTRIDGE GREEN
Horsham 7 miles. Haywards Heath 11 miles. (Victoria 45 minutes).
London 45 miles.
A late 18th Century Grade II listed farmhouse in need of improvement in a superb rural setting.
Reception hall, 2 reception rooms, farmhouse kitchen/breakfast room. 5 bedrooms, dressing room, bathroom. Gardens and paddocks. Views to South Downs and Chanctonbury Ring. About 6 acres.
Auction in October 1988 (unless previously sold).
London office: Tel. 01-629 7282 Ref. 1AG10528.



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A tranquil residential, agricultural and woodland estate with outstanding views to Dartmoor.
Grade II* manor house, 2 lodges, 3 farmhouses, cottage and farmbuildings for conversion. Agricultural land. Broadleaved and coniferous woodland. In-hand shooting and fishing rights.
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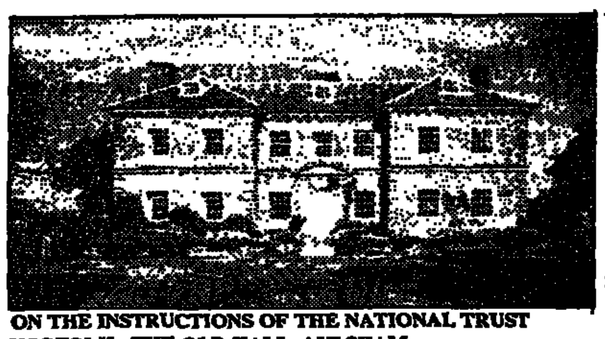
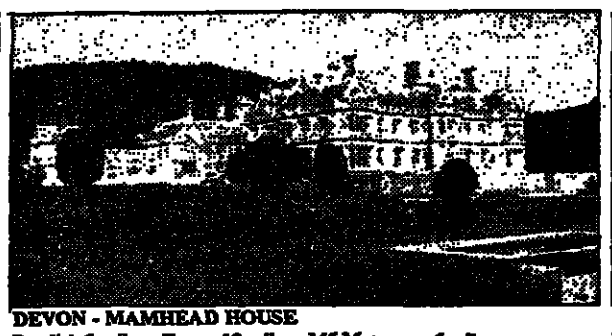


ON THE INSTRUCTIONS OF THE NATIONAL TRUST
NORFOLK - THE OLD HALL, AYLSHAM
An outstanding Grade I Listed late 17th Century house with adjoining cottage beautifully situated with splendid views over mature gardens on the edge of Aylsham. 3 reception rooms, study, 6 principal bedrooms, 2 bathrooms, 5 secondary bedrooms. Adjoining separate cottage. Oil central heating. Mature walled gardens with formal canal and summer house. Coach house and stable block. Garaging for three cars. Splendid views over tree lined avenue. About 2 1/2 acres. Leasehold. Region £420,000
Norwich office: Tel. (0603) 617431 Ref. 9BB/2511.



DEVON - MAMHEAD HOUSE
Dawlish 3 miles. Exeter 10 miles. M5 Motorway 6 miles.
An imposing and historically important Grade II* early 19th Century house enjoying spectacular views and currently used as a college with potential for a number of alternative uses.
6 principal reception rooms. Classrooms. Domestic offices. 20 bedrooms. 2 flats. About 50,000 square feet. 3 staff bungalows. Swimming pool. Formal garden. Landscaped parkland. Agricultural land. Woodland. About 185 acres.
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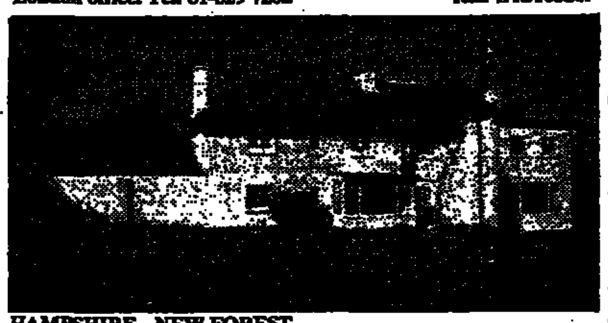

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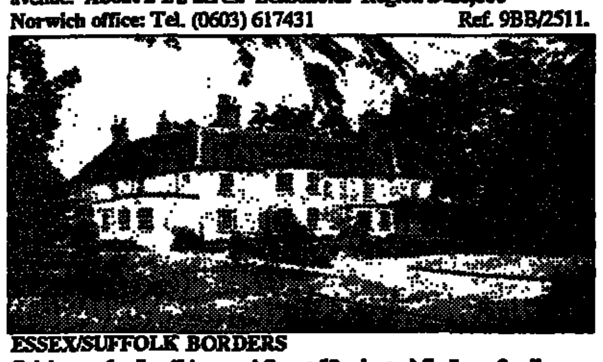

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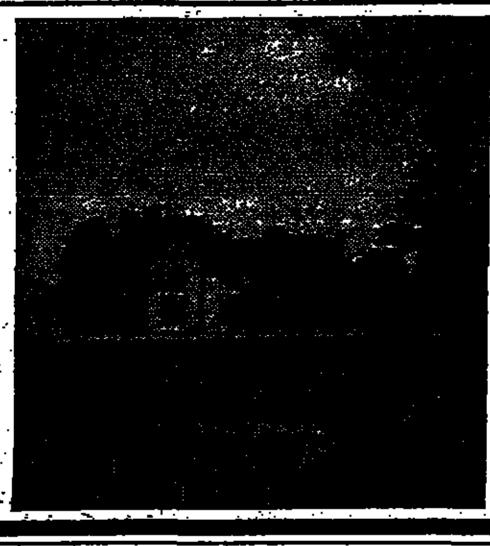

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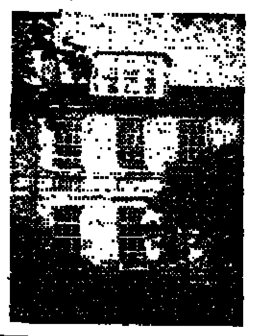

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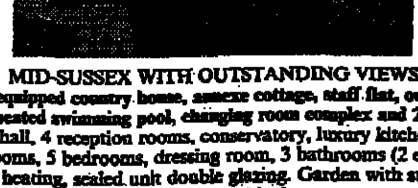

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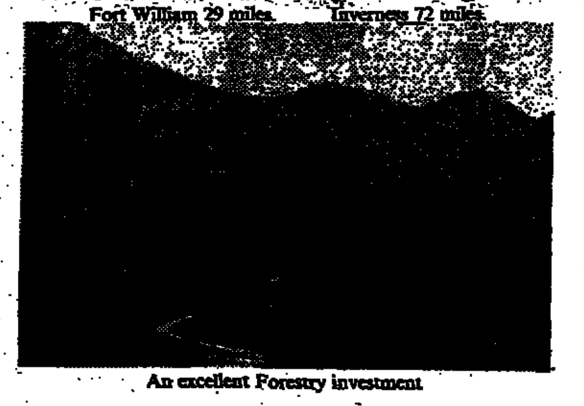

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GARDENING

Goethe's garden of Eden

***Robin Lane Fox** finds that Padua's botanical garden has produced some potty philosophical thoughts*

A 19th century engraving of Padua's botanic garden

WHEN TRAVELLING, always check for botanical gardens. They come in all shapes and sizes, complete with small mountains of rock (in Munich), 200 acres big (in Java), tucked into a small town centre with flower-pots (in Urbino), or on the site of a former Jewish cemetery (in Oxford).

Even better, it is not clear what they are supposed to be doing. Are they gardens? If so, why are so many of them designed much more poorly than private gardens, with those stripes of oblong beds and sweeps of grass dotted with individual trees? Are they botanic, now that science no longer needs living herbs to hand? Many big names in botanical science are not remotely interested in flowers but excited only by cells and thin bits of root.

In a world of oddities, it is fun to find the oldest, but it is not clear where to go. To Italy, certainly, but is it Pisa or Padua? The race is still subject to a steward's inquiry. Padua can point to a minute in the records of the Venetian Senate, approving its garden on May 29, 1545. It was quite a generous vote, by the standards of votes on academic gardens: 137 voted in favour, 13 sat on the garden fence and only three wretched Venetians opposed it.

Pisa, however, has a letter, dating from July 4, 1545, and revealing that its own garden was already in existence. Pisa, I think, leads Europe with a triple first: it has the first botanic garden, the first marble cathedral in Tuscany and the winner among wonky towers.

Padua, however, had the greater staying power: unlike Pisa, its botanic garden has never been moved and still stands on the ground given by a nearby monastery. Four centuries later, it is a prime urban site beside the great church that contains the bones of St Anthony and the massive altarpiece by Donatello that Lord David Cecil once chose on the radio to accompany him to his desert island.

Between the garden and the church, there is a dream of a museum shop where the brand name of the saint who finds lost objects has marked out an unbeatable niche in the Catholic retail market. Head for St Anthony's resting place; ask for the botanic garden and, even in Padua's labyrinth, you will not be lost.

The world's oldest surviving botanic garden has a charming design, two wonderful trees and a link with an utterly mad theory. The centre was laid out as a circle, about 80 metres wide, defined by a high brick wall that has been rebuilt pleasantly. Busts of the garden's curators look down on you as you enter through a surrounding muddle of trees and find the obsessive regularity of a systematic garden, like a living plant show, edged in stone.

Little stone-edged beds contain one of this or that, some of which are rarer in Italy than Britain. A little bush of English yew has a bed to itself, next to a thuja and a spotted laurel, as if in a hospital ward for hedging. There is a stone-edged line of peony beds and some vivid green leaves on the aquatic plants. As it is Europe, there is an accompanying line of red salvias and marigolds, which may yet creep up on us after 1992.

In this inner circle, you can imagine the dark-robed doctors of Padua showing their students the virtues of herbs and the different classes of shrub. Perhaps there was talk of spontaneous generation; perhaps somebody tried bergamot as a cure for headaches. Then, too, it must have been hard to keep the garden wet in summer. In September, there is a strong sense of clerodendrum, a shrub which we plant too seldom in warm corners. There is shade from a superb ginkgo tree, more than 200 years old and probably the biggest in existence in Europe. There are also, to the imaginative, echoes of Goethe in the September air.

In September 1786, Goethe visited the Padua garden. He admired the tumbling red trumpets of a bignonia (which we call campsis) as they sprawled on the outer wall: the warm Italian summer still brings the best from this rampant climber, which is no stranger to south walls in London. He tells us: "The place was roofed over and kept heated during the short winter months." Did he mean one corner of the garden, or did the Paduans turn the entire central circle into a grand conservatory, roofed like an ancient arena to keep out frost?

Goethe admired the garden's ancient palm, which had been planted in 1585. It still survives, one of the great curiosities of botanical Europe, a chamaerops humilis which is no longer "humilis" but more than 30ft high. To keep it safe, friends of the chamaerops have built it an eight-sided tower of glass, better meant than designed, with inscriptions inside for those who have done most this century to keep off frost.

It is surprising what the sight of unfamiliar plants will do to the mind. In botanical gardens, they transport me to their faraway homelands, perhaps the prime reason for botanic gardens' continuing role as gardens. Goethe was rather more orderly. In Padua, that September, he asked: "What is seeing without thinking?" The great variety of plants persuaded him that it should be possible to derive all plants from one original plant. "Only when we have accepted this idea will it be possible to decide species exactly. The whole subject seems to me to be profound and of far-reaching consequence."

In fact, it was potty. Perhaps somebody, 200 years later, is still working to find the Adam of all known vegetation: meanwhile, I prefer this oldest of all botanic gardens and the reflection that world-famous thinkers start thinking rather oddly when they find themselves set free from their usual surroundings.

Arthur Hellyer, Page XVI

TRAVEL

Shanghai – ripe for a bit of fun

***Antony Thorncroft** visits a Chinese city where the past is always present*

IT IS THE city where Noel Coward dashed off Private Lives, and Margot Fonteyn learned her first pas de deux. It is also the scene of some of the cruellest deeds of the 20th century and, in recent times, the den of the Gang of Four. It is Shanghai.

It was in Shanghai that European exploitation of China was taken to its greatest extremes, with vast areas of the city, both commercial and residential, being given over to western ways. There really was a notice in the park along the banks of the River Huangpu which announced the exclusion of "Dogs and Chinese." They were huddled into the old city. When the reaction against foreigners came it was most vociferous in Shanghai: hence its period as the power base of the Mrs Mao clique.

All this old unhappiness has been good for the modern tourist. Shanghai was the slowest of the great cities of China to succumb to the new western penetration. There is hardly a modern building in the centre of the city, and the hotels that are now springing up – some, like the new Hilton with its vast tinted attrium and sprouting cascades, and the Sheraton, with its phosphorescent lifts scurrying up and down the exterior, like transplants from Dallas – tend to be many miles from the traditional centre.

First tip for the visitor: if you can find a taxi (and a new hotel is the likeliest spot), hang on to it all day: the minimal cost far outweighs the inconvenience of being immobile in this vast urban area.

The attractions of Shanghai are general rather than specific. They lie in speeding along the vast avenues lined with the smart bungalows of long-gone expatriates, scattering the cyclists who are slow to adapt to the presence of cars. They come from braving the old city which is still a picturesque warren of narrow lanes, where life takes place on the doorsteps and the spectacle is similar to Hong Kong or Bangkok or any other major eastern city, except that instead of a maze of shops there are tiny workshops.

In the heart of the old city there is a nobleman's garden of the 18th century, Yu Yuan, now given over to a public park, with the bridges, waterfalls and grottoes made familiar to the west from willow pattern plates: it is one one of the five musts for visitors. Close by is a tea house, one of the few buildings in Shanghai catering for both locals and visitors, and a major market-place. The shops tend to sell a thousand different varieties of chop stick or grades of snuff.

Second tip for visitors: there are two currencies in circulation, one for locals and one, known as Foreign Exchange Certificates, for visitors. The average shop does not accept FECs. On the other hand the general currency cannot be exchanged. Most of the young men who engage you in agreeable conversation in the street eventually get round to their need for foreign currency so that they can study abroad. They will greatly improve on the official exchange rate.

The second essential trip is to the Peace Hotel, where Coward wrote Private Lives. In his day it was a modishly new art nouveau extravaganza known as the Cathay. It is even more of an extravaganza now because there has been no cash available to ruin its bizarre interior, which looks more than usually decadent because of the subdued lighting demanded by the need for economy.

In the back bar of the hotel is Shanghai's night life – a jazz band of elderly Chinese who play, not faultlessly but with feeling, the hoary old standards of the trad era. What makes it affecting is the knowledge that, just by owning a trombone or a clarinet, these men exposed themselves to great danger during the Cultural Revolution. Now they play with cheerful gusto while visting businessmen and tourists struggle with Chinese cocktails.

Third tip for tourists: apart from the bar at the Peace Hotel, Shanghai goes to bed at around eight. If you expect to eat dinner, start looking at six and be brave enough to infiltrate one of the packed local restaurants in the Nanking Road, which will mean sharing a large round table with a celebrating Chinese family. This is much more agreeable than the easy option of expensive, westernised food in the haven of the hotels. A surprisingly high proportion of the old and the young speak English in Shanghai, and they are invariably friendly to visitors.

The other place where foreigners congregate is the Friendship Store on Beijing Dong Lu, a third must. This is the big foreign currency earner and there are four floors given over to everything from Scotch whisky at around £5 a bottle to antiques of dubious provenance. But the clothes are real bargains – silk pyjamas for £7, for example.

I would give the trip up the Huangpu River to the South China Sea and the point where it joins the Yangtze a miss, unless you enjoy ports. The river banks are industrialised for 40 miles, although the spot where the waters converge into a wide open expanse is impressive. A better excursion, the fourth must, is to Hangchow, two hours away by train. The city has been much built up but the West Lake, where the Manchu emperors built summer palaces, retains the beatific calm of a Chinese scroll.

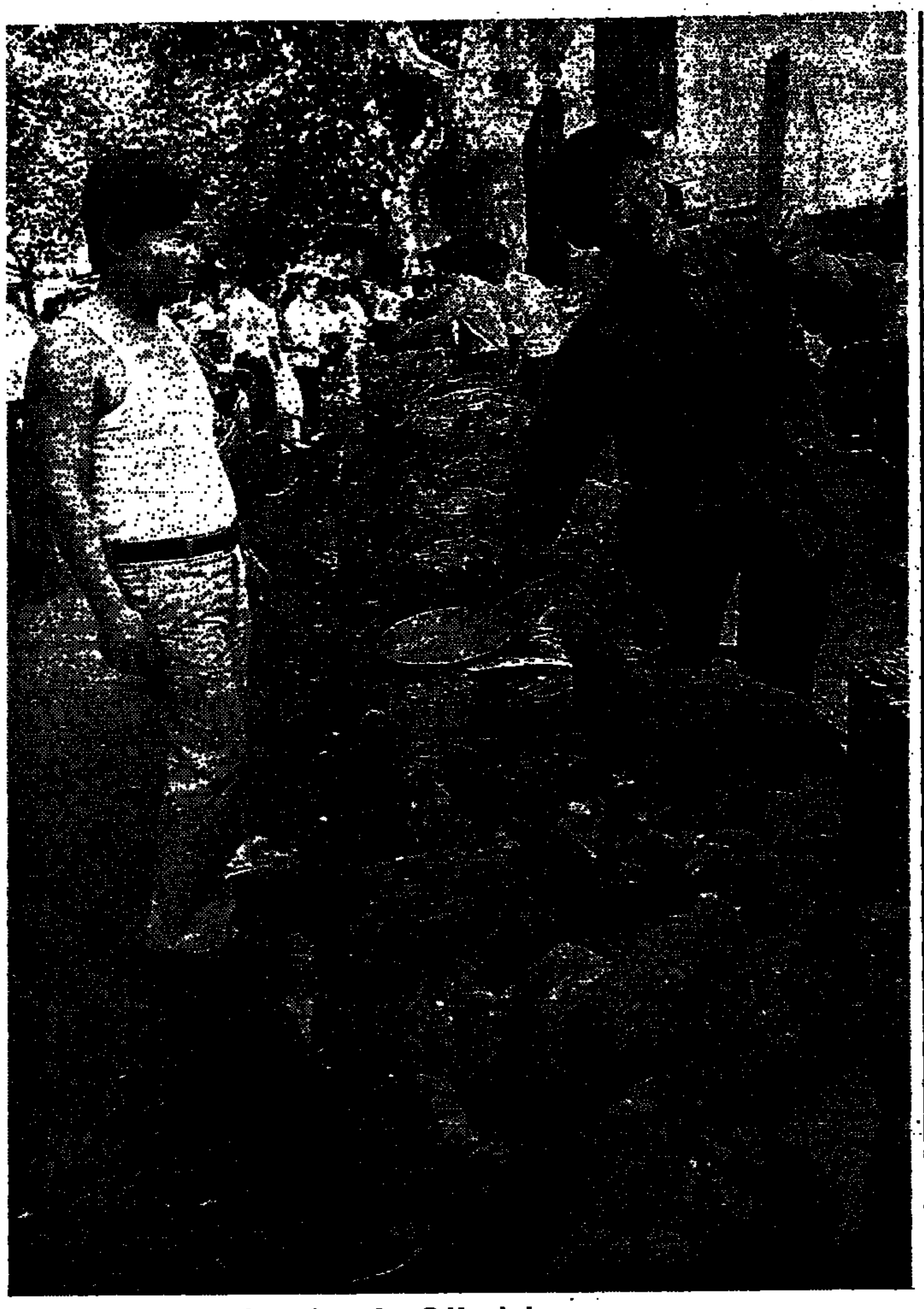
Shanghai is a city for stopping and staring rather than for chasing experiences. Much time will be spent getting about, or sitting on benches along the Bund gazing at the old hotels, banks and appartments built post-1920 in a style of architecture known as the Chicago School. One block, the Shanghai Mansions, formerly the Broadway Mansions, has a forbidding art deco angular exterior, but from the top-floor balcony there is a fine view of the inner city.

Your strolls will take you through the Peoples Park, formerly the race course, and for which an admission charge is suprisingly made. Close by is the vast Peoples Square where the citizens were marshalled in their millions for rallies, and around the corner is a fifth must: the World Entertaiment Centre.

For an admission charge of around 15p you enter a palace of pleasure. There are dodgems, and Chinese folk opera, and films, and pop singers, and restaurants, and in the inner courtyard acrobats and magicians perform. It has a naive charm.

One final tip: forget the notion that the Chinese regard tipping as an insult. Sadly, western culture has taken such a hold that porters and taxi drivers wait those few seconds for some appreciation.

Shanghai is changing very rapidly. As you race back to your hotel around 9pm you can make out odd lights shining through the dark. They come from small roadside bars, offering a few bottles of beer to the people of a city that has had enough of violence and austerity and is looking forward to some fun.



Shanghai chicken — makes a change from Peking duck

Try Pakistan for the polo

PERSONALLY, AS a spectator, I'd choose it any day in preference to the great English polo grounds of Cowdray and Windsor. Here, in northern Pakistan, at the western edge of the Himalayas, a few miles from the explosive border with Afghanistan, they play polo like you've never seen before.

There are no rules, no fouls and no chukkas to interrupt the flow. Just four to six sturdy ponies each side, charging with their riders up and down the field for 25 minutes each way. There is a back-drop of massive mountains, and an accompaniment of haunting music from three men sitting cross-legged on the edge of the field playing an oboe-style reed instrument called a surnai and two drums.

The music mocks the loser and lauds the winner. A family's traditional tune is played after a goal while the scorer rushes back to the centre of the field, chased by both teams, to start again without a break. The tune tells the womenfolk, who never appear in public here and are hidden away in the village, what is happening.

I came to Mastuj to stay in the crumbling mud fort of the ul-Mulk family, which ruled the Chitral area till 1969. This was on a trek from the regional capital of Chitral across 14,500 ft passes in the little-known, 18,000-22,000-ft high peaks of the Hindu Raj and Hindu Kush mountains near Pakistan's border with Afghanistan.

It is a stunning area with a gaunt beauty – mostly bare grey brown mountains with deep gorges, rushing rivers and the occasional glacier. But it is also an appalling example of rampant deforestation, because the slopes are almost devoid of trees after decades of local villagers cutting firewood and traders selling timber down-country.

This is where the famous North-West Frontier area merges into the Karakoram mountains. Locals here play polo in most villages every few days, although increasing use of motor vehicles means that few people can afford both a car or van and the £200-£400 needed to buy good ponies. The best ponies come from the Badakshan area of Afghanistan, from the sensitive Wakhan corridor that divides Pakistan from the Soviet Union.

A few hundred miles of massive peaks to the east, in the remote north Indian district of Ladakh, the polo tradition has almost died among the mainly Buddhist population. When I was there looking at Buddhist monasteries a few weeks before I came to Mastuj, the Nepal-based Tiger Tops tour organisers were staging a tournament to try to get polo started again in the small Ladakh capital of Leh.

Two years ago the Tiger Tops people revived elephant polo in Kathmandu, which Lisa Choegyl, their pr lady, says is "like trying to play golf from the top of a double decker bus." Himalayan polo is not so difficult, at least for tough horsemen, nor is it as bloody as the version in neighbouring Afghanistan. There the players grab a headless goat from a pit in the centre of the field and score by galloping round a sort of goal area at the end before returning the carcass to the pit.

The highest – and till recently one of the most beautiful – polo grounds in the world lies at 12,500 ft on the Shandur Pass between Mastuj and Gilgit, capital of Pakistan's neighbouring Northern Areas.

Chitral and Gilgit used to play a tournament on the Shandur every year, until a couple of years ago when General Zia ul-Haq, the late president of Pakistan, decided to grace the event and present the prizes. He only stayed for a short while, however, because of some fracas with a local politician, and the tournament has not been played since.

The night I was on the Shandur, a West German tour group had pitched large, bright blue tents and was sitting to dinner at chairs and tables, brought with them from Germany.

Let us hope that Mastuj escapes such invaders, presidential and foreign.

John Elliott

Gardening

Health screening time

SEPTEMBER is a good month to take stock of roses. You can find out which are really giving a good account of themselves and which still have attractive foliage.

While talking about them the other day a friend pointed out to me the inaccuracy of the term "repeat flowering," as applied to roses. It is is a very vague term. What exactly does it mean? Just a second lot of flowers sometime after the first have faded or a much more frequent succession of bloom stopping just short of being continuous? The old description "perpetual flowering" was always a gross exaggeration and many of the 19th century hybrid perpetual roses would today barely qualify for the description "repeat flowering."

I could not give my friend any firm answer. Repeat flowering is a vague term and meant to be so. It could be made a little more precise by being given a qualifier – very repeat flowering, moderately repeat flowering, slightly repeat flowering, and so on, but I would not recommend this since it would still be impossible to define exactly what was meant. Also, roses do not behave in the same way in different places and weather makes a difference. I would say that this dull, wet summer has been good for repeat flowering, especially where roses have been well fed, for it has encouraged plenty of quick new growth and it is on this that one depends for successive crops of bloom.

Dull wet weather is also favourable to many of the fungi that cause disease. I have more mildew in my garden than usual and not only on roses. Some varieties of clematis, including my favourite Perle d'Azur are quite badly infected and I have left it too late to do anything effective about it. But such hazards as this make it an excellent year in which to decide which roses really are disease resistant under one's own conditions. Again I stress this local behaviour. What the books say is not a reliable guide. It is what happens in the garden that matters and what I find bad others may find good.

Few people seem to find the rose Nevada as disastrous as I have done. I found it one of the first to be disfigured by black spot and it was such a horrible sight that I consigned it to the bonfire a couple of years ago. Yet other roses remain completely healthy without the benefit of fungicides. All the rugosas are excellent and in a long hedge of mixed Alba and Purpurea it would be difficult to find an unhealthy leaf. They are all lush and green and make a splendid background for the fine clusters of hips. Rosa moyesii Geranium is another that is completely healthy without spraying and its crop of long waisted hips is even more spectacular than that of the Rugosas.

I have never understood what it is that makes one rose disease resistant and another a seemingly defenceless victim. I used to imagine it was linked to high gloss on the leaves but this is clearly incorrect. It must be an inherited quality and present-day breeders have been under considerable pressure to look for it in their seedlings because it is virtually impossible to get any award in rose trials for new varieties if they are readily infected by midlew, black spot or rust.

Yet even a three-year trial, such as that carried out by the Royal National Rose Society, is not a complete guarantee that all the right genes are there, or maybe I should say will continue to be there. Some roses seem to become less disease resistant with age, maybe because of some minor genetic change. This is one reason why so many roses disappear from the catalogues after a few years but the main cause is pressure of new varieties.

Few nurseries can afford to propagate more than about 100 varieties yet 2,000 are listed in *Find That Rose*, the booklet published by the Rose Growers' Association which does for rose lovers what *The Plant Finder* does for growers of herbaceous plants and shrubs. The popular roses can be stocked by 70 or more rose nurseries not taking any account of the garden centres, stores and other places which may provide many more outlets. Yet some good roses are stocked only by one or two companies. Anna Pavlova, judged by visitors to the British Rose Festival at St Albans, Hertfordshire, as the most fragrant rose on show, seems to be available only from the raiser, Peter Beales Roses. By contrast Margaret Merrill, which came second in this competition, is grown by more than 50 rose nurseries.

I find all the albas excellent disease resisters in spite of the powdery covering on their leaves which one might suppose would help disease spores stick to them. Maybe it does but discourages them from growing. Rosa glauca, a new name for what most gardeners still think of as rubrifolia, is another fine foliage variety which never seems to get infected. Many regard it as the most beautiful of all roses for foliage but I would not like to be so dogmatic. It depends so much on what company the rose is to keep.

Glauca's delicate blend of grey and purple is certainly lovely and the small but abundant flowers and hips are also good but there are places in which I need a good green leaf and for that there is no much wrong with the foliage of Chinatown or, if you want a lighter, yellower green, Honeymoon.

I walked out of David Austin Roses the other day bearing a plant of Graham Thomas almost solely because I liked the look of its shiny green leaves completed unblemished by disease. It was only as an afterthought that I looked at the big, light yellow flowers with the old-fashioned cupped shape and liked them. It was the foliage that made me buy Ispahan in a little nursery at Newick which grows only a few varieties but propagates many of them from cuttings so that suckers are welcome instead of being a dreadful nuisance. Ispahan has fragrant pink flowers shapely in bud but untidy when open, but I only know that from books as I have never seen it in bloom. It was those clean leaves and abundant stems and maybe also the romantic name that fetched the money out of my pocket.

Arthur Hellyer

MOTORING

VW takes the sporty route

Stuart Marshall tests a Teutonic challenge to the Japanese

EUROPE ONCE was the home of the sports car. But, one by one, many of the traditional makers such as MG and Triumph died or have, at any rate, gone into suspended animation. Others, such as Alfa Romeo and Lancia, are producing up-market saloons rather than sports cars, leaving the field to the Japanese and to small-volume producers like Porsche, Alpine (a Renault subsidiary) and Morgan.

When we speak of a sports car, though, what are we talking about? I suppose, in essence, it is a car in which it is better to travel than arrive. You buy a sports car for appearance, responsive handling, fierce acceleration and the promise of high speed. No matter that it costs more and has far less room than a family car; it looks exciting and spices your life-style. Many of them, it has to be said, are not even driven very quickly by their owners. They have far more to do with personal image projection, even conspicuous consumption, than fast motoring.

What, then, is Volkswagen doing launching the Corrado — which it describes as a full-blooded sports car — when the European trend is toward saloons or hatchbacks with more performance than you can use legally, anyway?

A technical challenge is put forward by VW as one justification. The introduction of new technologies that can be used later in ordinary cars is another. But more important is VW's belief that a market gap for sports cars costing under DM50,000 (£16,000) in Germany has opened up in Europe, and it does not see why Japanese imports should fill this all by themselves. Besides which, the Corrado could also be a nice little earner in the US.

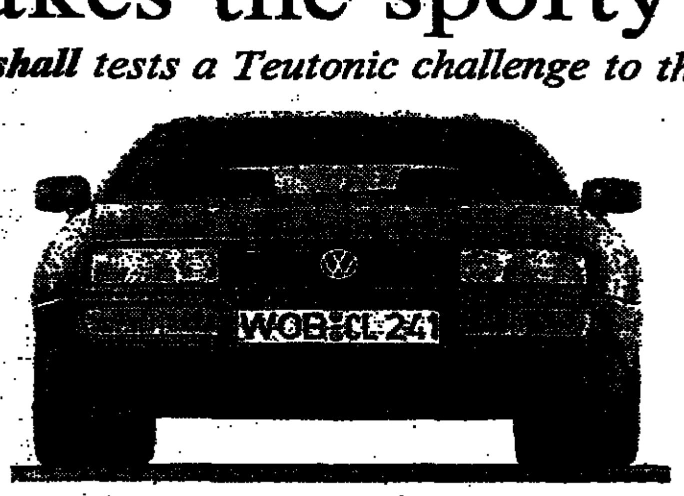
The Corrado will not go on sale in Britain until the turn of the year but it will be one of the star turns at the International Motor Show opening at the National Exhibition Centre, Birmingham, in just over five weeks. It is not, as had been rumoured widely, a replacement for the Scirocco, which will continue to be made for a year or two. But, like the Scirocco, it is related closely to the VW Golf and its bigger brother, the Passat.

Two versions of the same 1.8-litre, four-cylinder engine are used. One has a crank-shaft-driven super-charger producing 160 horsepower, the other a 136-horsepower, 16-valve unit. They drive the front wheels through a five-speed gearbox. VW reckons that 160 horsepower is getting close to the top limit for what can be put on the road through a pair of tyres that also have to steer the car and do most of the braking.

I agree, but I have to say that the Corrado I drove in a brilliantly-sunny southern Germany last week did not feel untidy during full-bore acceleration. The front end hardly twitched and the 55 series Continentals did not lose their grip. The loud pedal might have to be used with discretion in heavy rain, though.

If VW decides to squeeze even more power out of the 1.8-litre engine, it has Syncro 4x4 transmission on which to fall back. I shall be surprised if an all-wheel-driven Corrado does not emerge in a year or two.

The super-charger makes the Corrado's four-cylinder pull with the vigour and smoothness of an in-line six. I saw the speedometer indicate 225 kmh (140 mph) on the autobahn. On the winding, but beautifully-surfaced, country roads around Nuremburg, iron self-control was demanded if the speed limit was to be kept within sight.



VW's Corrado, the result of the company's belief that there is a 'market gap in Europe for a sports car costing less than £16,000

The Corrado is almost too refined for those who think sports cars must have engines that drown the radio. I found it a most enjoyable car with an excellent driving position, sharply responsive, but effortless to park. It has power steering and effective anti-lock brakes.

The ride is moderately-firm, the gearshift good providing the clutch pedal is fully depressed, and wind roar minimal even at autobahn cruising speeds. This is because of a combination of good aerodynamic shaping and build quality.

I can't make up my mind whether the Corrado's speed-sensitive rear spoiler is a leap forward or a gimmick. It extends at 75 mph (120 kmh) for autobahn driving, reducing aerodynamic lift on the rear wheels that might otherwise affect stability. At low speed, it retracts to improve visibility when parking. (In deference to Britain's 70 mph (112 kmh) motorway limit, the spoiler will come out at 45 mph (72 kmh) on Corrados sold in the UK).

Despite my long legs, I found the rear seat habitable for a half-hour trip. The Corrado is not a full four-seater but it is more than a skimpy 2+2. For a sports car, luggage space is generous. The split rear seat back-rests fold down for big loads. I would have liked stronger ventilation — better still, air-conditioning for town driving in warm weather.

When the 16-valve unsupercharged model arrives in Britain in December, it will cost about £16,500. The supercharged Corrado, due next summer, should be about £19,000. Meantime, it will be offered with left-hand drive to UK buyers who cannot wait.

Good though it is, the Corrado will face formidable price competition. VW sees as class rivals cars like the Honda Prelude (now £11,600), Toyota Celica GT (£15,595), Mazda RX7 (£16,999), Mitsubishi Starion Turbo (£16,479) and, ambitiously, the Porsche 944 (from £25,267).

A turbo-charged, four-wheel-driven Celica GT4 costs £20,495 today. (If a Corrado Syncro 4x4 existed, it would have to sell for between £21,000 and £22,000.) And what of Nissan's pretty Silvia Turbo sports coupe at £13,350?

The Silvia's successor, the Nissan 200SX, is waiting in the wings for a Motor Show debut and will be on sale long before the right-and drive supercharged Corrado reaches Britain. It will have a two-litre engine with 16 valves and turbo-charging. I expect a price of £18,000, including ABS brakes.

It could be that the biggest obstacle the Corrado will have to overcome is the VW badge on its aerodynamic nose. Although the Golf GTi has become a cult car and still sets a standard for hot hatchbacks, you hardly think of VW as a sports car-producer.

Perhaps the Corrado's introduction will change everything. But, equally, I just cannot see Porsche owners trading down to a Corrado, even if they use their cars (as many do) mainly for fairly humdrum motoring. I mean, if you saw a chap in a 944 one week and a Volkswagen the next, wouldn't that mean his business was trouble?

□ Ford will go into 1989 with the same cars that have given it nearly a 30 per cent share of the British market this year. But, they will have many improvements. Among them are new petrol and diesel engines for the Escort and Orion. (The 1.3-litre petrol engine, a complete re-design of the previous one, is Ford's third generation lean-burn (and, thus, less-polluting) power unit.

So efficiently does it perform that it produces five more horsepower and half the amount of carbon monoxide. Its ignition system is fully electronic and has no mechanical distributor.

The diesel engine for the Escort and Orion has been enlarged from 1.6 to 1.8 litres capacity. Torque (that is, pulling power for a given engine speed) has gone up by 17 per cent. This reduces the need for gear-changing, improves through-the-gears acceleration and raises the top speed from 91 mph (146 kmh) to 94 mph (150 kmh).

□ The price of a gallon of petrol has been going up fairly steadily this year. From an average 166.8 pence in February, it rose to 170.4p in June, when most major brands went up 4p, and reached 172.7p last month.

Dialcard Limited, a firm of vehicle fleet cost control specialists in Putney, south-west London, analyses about 100,000 weekly transactions at 80 per cent of Britain's 14,000 filling stations. Its data bank reveals that, if you want cheap petrol, the place to go is Mid-Glamorgan in Wales, where the average price has been 168.2p a gallon. But spare a thought for the unfortunate car-owners in the Western Isles of Scotland. They are paying 189.5p for the dearest gallon in Britain.

How Mavis helps disabled drivers

FOR THE 5m people in the UK whose varying disabilities prevent them from using public transport, a car of their own is the way to mobility. However, it isn't always easy to know what sort of a car you can drive (or be driven in) and what adaptations you may need. The answer is Mavis (otherwise known as the Mobility Advice and Information Service).

A couple of months ago, my wife and I decided it was time we went to Mavis. I have multiple sclerosis; and although I drove until about three years ago, I then began to find that handling an ordinary car was increasingly difficult. I wanted to know if there was a specially adapted vehicle that would suit me.

Mavis is housed in a pleasant, prefabricated building on the estate of the Transport and Road Research laboratory, run by the Department of Transport, just outside Crowthorne in Berkshire. We were greeted by Anne Frye, a 35-year-old civil servant who is the guiding light behind the unit.

There, I had a series of assessment tests during which I was checked for limb movements and how easily I could move my head, plus a conventional eye examination. Finally, I had to sit in the open front of a mini with hand controls, foot pedals and a panel with electronic visual and digital read-outs to gauge reaction times from accelerator to brake.

Anybody who passes these tests satisfactorily can go on the road with one of Mavis's team and try the wide range of car controls designed for disabled people. In my own case, I failed the tests and had to face the fact that I would have to be a passenger. It was then suggested that we should try a car built up with extra body height, into which my wheelchair could be driven through the tail-gate and clamped to the floor. It certainly was comfortable for me, particularly if I used an Unwin neck-rest extension on the wheelchair.

Many manufacturers are working with Mavis, supplying sample vehicles and helping to develop a greater range of driver controls such as joy-sticks, tillers and a steering-wheel ball so that there is now quite a lot of choice for the disabled driver.

The pièce de résistance at Mavis is a special van — an adapted Ford Transit that gives disabled drivers complete independence. The doors open and close automatically, there is a side or rear wheelchair lift, power-assisted steering, and infra-red controls for auxiliary functions. These vans can be ordered from a Ford dealer, Perry's of Edgware in north London, and cost about £12,000 new.

DETAILS: Mavis is at the Department of Transport, TRRL, Crowthorne, Berks., RG11 GAV. Tel. 0344-770456. An assessment of driving ability, advice on car adaptation and a vehicle familiarisation session costs £50.

Consultation and advice on car adaptations and a vehicle familiarisation session is £30. A familiarisation session to inspect and/or test-drive the adapted vehicles is £10 an hour.

Henry Mara

On 24th September 1988 the Financial Times Motor Car Pages will focus on Vintage and Classic Cars.

Please Call:
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BOOKS

*Latterly, Graham Greene has adopted another form of writing. **Anthony Curtis** reviews the latest*

A master storyteller wrings the changes

IN HIS OLD age, Graham Greene has become an exponent of the *conte*, a form mid-way in scope between the novel and the short story. Henry James, who also wrote many works of this length, used to describe them as tales; but for *Dr Fischer's Bomb Party* and *Monsignor Quixote*, and now *The Captain and the Enemy* – latest but, let us hope, not the last in the series (as Greene appeared to threaten in a recent interview) – *conte* seems better.

It implies both a lively entertainment that does not go on for too long, and a moral conundrum that keeps you guessing and arguing after the book has been finished, prompting immediately a second or even third reading. In some ways, these late stories are all of a piece with the main works. In them, we meet the same shady crew of characters menacing one or two innocents, the same division of the world into the powerful and the powerless, the same wry English jokes (Greene has great fun here describing the hero's embarrassment at having to wear a stolen pair of orange pyjamas), the same suspenseful twists and turns of the narrative.

An earlier story with which this new one has a close kinship is that poignant study of a child under pressure, *The Basement Room*, which was made into a film as *The Fallen Idol*. And in these later stories, written in his 70s and 80s, Greene confronts us yet again (but more directly) with those questions of love and trust, ambition and betrayal, that lie beneath the surface of all his work.

He gives us a broad hint as to what he is about in a quota-

THE CAPTAIN AND THE ENEMY
by Graham Greene
Reinhardt Books, £10.95, 189 pages

tion on the title page of *The Captain and the Enemy* from George A. Birmingham (*nom de plume* of an Irish clergyman, James Owen Hannay, who wrote dozens of adventure stories including *Spanish Gold*): "Will you be sure to know the good side from the bad, the Captain from the enemy?" This dubiety, in which the baddies turn into the goodies and then back into the baddies, underlies the whole operation.

From the marvellously unlikely opening, where a small boy at a hellish English pre-war prep school is handed over by the headmaster to a complete stranger, the Captain of the title, who claims to have won him from his father in a game of backgammon, the reader is forced to suspend all normal criteria of judgment. From then on, his values and assumptions about family life and family loyalty undergo a thoroughly destabilising assault.

For the boy, the narrator of the book, an afternoon's outing turns into the a lifetime of adventure. Hooked on the romances of Rider Haggard, he belongs now body and soul to the Captain, one of Greene's most inventive confidence men, who re-names him Jim as they take lunch in the local pub. The Captain puts his hand on Jim's shoulder, having just swindled him out of his pocket money, and Jim feels the kindness in his touch. If Jim's new father is a rogue, he is one with a heart of gold – a distinct improvement on the alternatives, the headmaster or the boy's real father, known in the family as the Devil.

The Captain's ability to fix things takes strange forms. He has a mistress (a cast-off of Jim's father) who lives precariously as a housekeeper in a dingy suburban basement. She craves for a child now that she is incapable of bearing one. It is Jim who has been cast by the Captain to fulfil for her the role of the substitute son

We learn from Jim himself (in the first person) of the way he at first adapts, then grows to accept and love, and finally tires of and rejects, this curious family situation; and we have a sense of a drab, derelict pre-war England during the Depression years that is Greene's most familiar territory. Part one ends here. The composition of this book was, apparently, interrupted and resumed after a break of more than a decade.

In part two, it suffers a violent change of gear and we are suddenly in the modern era of surveillence and intelligence, self-determination and Latin American politics. Pre-war England with its bad debts and basements has turned into contemporary Panama with its tower-block hotels and minibars and million-dollar credit. It is as if the 1930s' Greene had been confronted by the 1980s' Greene – as in one of those Max Beerbohm drawings where an eminent writer's Young Self mets his Old Self.

The Captain, still a man of promise with unfulfilled ambitions to become rich, has by now turned into a small-time big-time operator. True, he does have his own private aircraft in which he runs errands for his clients (drug-smugglers and rebel governments), but it is like something out of *Those Magnificent Men and Their Flying Machines*.

However, we gather he has preserved his crooked integrity. Not so Jim, who has become a journalist (always a bad sign in a Greene novel), left his substitute mother to be killed in a motor accident, and now accepts a temptingly-lucrative offer from a sinister gentleman named Quigly, selling the Captain down the river.

Once again, amid a forest of duplicities and aliases hard to fathom, it is a case of "In the lost childhood of Judas, Christ was betrayed." But, the standard nature of this abrupt, arbitrary conclusion does not spoil a thoroughly entertaining piece of work.


Graham Greene: shady characters and suspenseful twists

Youssef Cassis reads a scholarly account of the biggest corporate break-up in history

Why Ma Bell was put to the sword

THE AMERICAN Telephone and Telegraph Company (AT & T) was in 1970 by far the largest in the world. Its total assets reached $53.3bn compared with $19.2bn for its immediate follower, Standard Oil of New Jersey; and its work force totalled 1m as against 700,000 for General Motors.

In the eyes of its leaders, however, AT & T was a benevolent giant, with a special obligation to provide an adequate and dependable service. By the early 1960s, it had fulfilled the mission set out many years before by its president, Theodore Vail, of providing "universal service" – a telephone in every home connected to every other telephone in the USA.

Although it was integrated both vertically, through its ownership of Western Electric and Bell Laboratories, and horizontally, through its ownership of the 18 regional Bell operating companies, it had survived the 1890 Sherman Act and various subsequent anti-trust *legislation*.

This it had achieved not only through being a *regulated* monopoly, but also by the widespread acknowledgement of the benefits deriving from a *national* integrated network. In a 1956 consent decree, the Attorney-General promised "no real injury" to AT & T.

On December 31, 1983, the Bell System (known familiarly to generations of Americans as Ma Bell) ceased to exist following the agreement *to divest* – meaning to separate its various components – reached two years earlier by the chairman of AT & T and the Justice Department.

Seven new regional telephone holding companies made their début – each about the size of British Telecom – and a new, smaller AT & T, which retained its ownership of Western Electric and Bell Labs, continued to provide long-distance service.

Yet, the largest corporate reorganisation in history was not the result of a deliberate policy followed by the American authorities. By the time the agreement was reached in 1981, the Bill introduced to the House had not advocated divestment. Caspar Weinberger, the Defence Secretary, had opposed it on strategic grounds and President Reagan himself was known to be in favour of maintaining the national network.

Why then, and how, did such a break-up eventually take

THE FALL OF THE BELL SYSTEM: A STUDY IN PRICES AND POLITICS
by Peter Temin with Louis Galambos
Cambridge University Press, £27.50, 378 pages

place?

Peter Temin's book was commissioned by Charles L. Brown, chairman of the board and chief executive officer of AT & T between 1979 and 1986 – thus, the man who took the decision to divest – in order to put matters on record while the actors could still recall them, and to serve as a point of reference for future studies.

The result is a detailed, scholarly history of the break-up of the Bell System which combines technical precision with a narrative conveying the intensity of the drama.

The Federal Communications Commission (FCC) played a role, however unwillingly, in the divestiture process. By allowing competition in some corners of the Bell System, such as terminal equipment and private lines, it started a cumulative process it could no longer control.

The discrepancies between regulatory prices and competitive prices were a permanent incentive for new entry. Companies such as Microwave Communication Inc (MCI) could prosper under this price umbrella and enjoy political support against the response of the monopoly.

As a regulated monopoly, AT & T was in a difficult position to fight competition on the basis of costs and prices, facing *accusations of using its monopoly* status to cross-subsidise its non-monopoly activities.

AT & T's strong corporate culture also was a handicap in the new situation: competition could not be admitted in a company conceiving itself as a *public service and* imbued with a tradition of technical excellence.

The introduction of a new, market-oriented form of organisation encountered internal resistance. But could it have been the solution? For at the same time, the more *competitive* AT & T could no longer justify its monopoly status.

In fact, AT & T had grown too big. A company of this size could hardly be tolerated in the new ideological climate that favoured competition over regulation. But it is clear that the increased competition resulted from policy decisions made in the FCC and the federal courts, not from the inefficient performance of the high-cost monopoly.

The break-up of the Bell System was a consequence of the change in ideology, not intelligent communication technology.

It is nonetheless remarkable that, in the end, the decision to divest was taken by two men. One was William Baxter, who had set himself this objective since his appointment as assistant Attorney-General in 1981.

The other, Brown, although committed to AT & T's original mission, preferred to accept Baxter's view and keep a vertically-integrated AT & T rather than risk either an order by the court to divest Western Electric or an excessive regulation by Congress rendering the monopoly unmanageable totally.

That this decision could be taken in isolation, and with very little political support, was due in no small part to the lack of co-ordination within the federal government and, in particular, the independence of the legal process.

As to the consequences of divestiture, Temin takes a rather negative view. No clear line between the monopoly and competitive part of the telecommunication business was drawn, as devised originally in Baxter's plan: local companies can compete in marketing terminal equipment and AT & T is likely to have a natural monopoly in inter-city telecommunications.

The idea of a great commercial contest between AT & T and IBM was a chimera. The fundamental research undertaken at Bell Labs threatens to erode without being replaced by government subsidies.

Divestiture brought many new choices of terminal equipment, but that did not compensate for the rise in local rates. Large businesses, on the other hand, found themselves better-placed to reduce costs and obtain services tailored to their needs.

In the long run, argues Temin, divestiture must be looked on as an enormous gamble.

Youssef Cassis

☐ *Dr Cassis, of the University of Geneva, is working on a study of international business history.*

Fighter who kept up her standards

JEAN STAFFORD, A BIOGRAPHY
by David Roberts
Chatto & Windus, £16.95, 494 pages

WHEN HE came to write his excellent book on the short story, H. E. Bates found to his surprise that half the contributors to the World's Classics English short stories series were American. US pre-eminence increased in the contemporary period and, by the end of the Second World War, the number of new, young American short story writers was remarkably high.

Prominent among the newcomers was an author who wrote like an angel – sometimes an avenging one. Her name was Jean Stafford and she was to become well-known not only for her command of English style but also as the battered wife of poet Robert Lowell and, later, the adored consort of A. J. Liebling.

When Jean was six, the Staffords moved from California to Colorado, where she went to university. That was in the darkest days of the Depression. Even so, by the mid-1930s Colorado University had recovered enough to establish a writing school that became famous for the participation of Ford Madox Ford, Sherwood Anderson, Robert Frost, Thomas Wolfe and Robert Penn Warren.

As the daughter of a writer – even though he published only the occasional Western – Jean had always been drawn to the written word. But, she felt herself to be a provincial in a period when the East Coast still flaunted its superiority. This was perhaps why she embarked on a novel instead of developing her proven talent for the short story – and why that novel had to be about Boston.

Although you can agree with Anita Brookner that *Boston Adventure* reveals "a high and melancholy talent," it is hard today to see why it was a best-seller. You can understand why it should be admired by the literary establishment in that mannered period that preceded the colloquial 1950s, but it is prolix and jewelled: the work of a talented writer who was trying too hard.

Its rather forced style might be compared with the early manner of Lowell, whom Jean married in 1940. This she did in spite of the fact that Lowell, driving his father's Packard, crashed her drunkenly so badly that her face had to be reconstructed completely. This became the subject of one of her most powerful short stories, *The Interior Castle*. To make matters worse, Lowell broke her nose again during a quarrel after her recovery.


Jean Stafford: battered wife who wrote like an angel

Why did she marry him after that? She had several adoring suitors, the gentle and intelligent Robert Hightower, for one. Lowell's was an offer she obviously could not refuse. Brilliant and unpredictable, his star was rising rapidly. Besides, marriage to him would give her an iron-clad connection with that venerated New England "aristocracy" where Cabots speak only to Lowells and Lowells speak only to God. Or so she thought, for Jean Stafford was a snob. But she reckoned without Lowell's formidable mother, who refused to recognise her existence.

In 1945, the couple bought a *house in Damariscotta Mills*, a tiny town in Maine, where they were visited by the younger set of literati. Although she was the best-seller, he was the draw. His first book of poems, *Land of Unlikeness*, although printed in only 250 copies, had marked him out as a talent with which to be reckoned.

It was not a happy time. For one thing, Lowell was not known for his fidelity. Granted, Stafford was frigid (at least, that is what she told Hightower), but there was a *deeper trauma in her life*. From all the evidence, it seems that she had contracted a venereal disease while visiting Germany in the 1930s – probably syphilis – which, because it was unsuspected, was untreated until later. This was the "angry wound" to which she referred in a letter to Hightower.

Although the two novels Stafford wrote after *Boston Adventure* – *The Catherine Wheel* and *Mountain Lion* – had a modest success, it was her short stories, mainly for the *New Yorker*, which grew better and better. Like her husband, she learned to move with the times, so that by the late 1950s she was writing stories that were as much a break-through in prose as Lowell's *Life Studies* were in poetry.

If later on (she died when she was 64) she became a confirmed alcoholic and something of a crank, this is irrelevant to her stature as an artist. What is important is what Alexander Woollcott called "the hard-grained determination" of her stories. She was a fighter and she kept up her standards to the last. It is good, therefore, to see that the Hogarth Press has re-issued her *Collected Stories* of 1970.

David Roberts, a former teacher at Hampshire College in Amherst, Massachusetts, and now senior editor of *Horizon*, an American magazine of the arts, has written a sympathetic study of this tragic writer. Unfortunately, it is marred by a style which lapses so frequently into barbarism that you wonder if he really appreciates the extraordinary fineness of Stafford's ear. Still, his study is well-researched and scholarly.

There is one thing on which the reader can always rely with American biographers. They may have cloth ears but they work hard, they spare nothing in their search for accuracy, they provide you with superb bibliographies, and they earn their money thoroughly.

Geoffrey Moore

Fate accomplished

PERSONAL DIARY OF ADMIRAL THE LORD LOUIS MOUNTBATTEN 1943-1946
edited by Philip Ziegler
Collins, £17.50, 357 pages

MORE OF Mountbatten! Why not? After all, the nicest things (barring the manner of his death) happened to the man. He enjoyed life, and shared his joys with others. At 43, he was appointed Supreme Allied Commander South-East Asia.

It must, of course, have hurt his vanity to learn that he was not the first choice. Leo Amery, the Secretary of State for India, had proposed his name, only to have it turned down by Churchill.

Several other names were considered but none made the grade. Mountbatten's candidature surfaced again. This time, Churchill thought that Mountbatten was the ideal man for the job.

I knew Lord Mountbatten. I am partial to him. I have, therefore, to make a conscious effort to keep bias under control. Shapeless and sprawling these diaries may be but they do, nevertheless, provide an authentic (although hectic) account of those turbulent and uncertain days and convey much of the excitement felt by major actors engaged in the war theatre in Asia.

Mountbatten has a wonderful gift of seeing the lighter side of life, even when he is in the presence of Churchill, MacArthur, Stillwell and Chiang Kai-shek, or occupied with perilous tasks. He had flair, style, vanity, a sense of history and occasion.

He came to the job when the fortunes of the Allies in the East were in a trough. Morale was low, hope was all but abandoned. The Japanese had conquered most of South-East Asia and were at the gates of India.

In less than two years the tide changed, and Mountbatten's role was crucial. These diaries bear witness to the splendid leadership he provided.

He was in Ceylon one day, Chungking the next, Cairo the third, and at his Delhi desk over the weekend. His burdens were shared by a devoted team – and Lady Edwina Mountbatten who, in her own right, was a considerable force.

Yet, in some respects these diaries are strangely inadequate. On August 6, 1945, the first atomic bomb was dropped on Japan. Mountbatten records this momentous, earth-shattering event thus:

"After tea, Patricia, Edwina and I drove to Windsor. We were staying in the rooms in which my sister Alice was born. We saw the King and Queen and Lilibet and Margaret soon after arrival and I had a long, separate and very profitable interview with H.M.

"Everybody was in good form over dinner, as the atomic bomb had just fallen and we were busy discussing the prospects of an early peace." Hiroshima is not mentioned. A hundred thousand human beings had perished there!

However, very frequently Mountbatten was on the ball, often ahead of it, seldom caught off-side. In these diaries, Nehru is mentioned three times and in a wholly sympathetic manner.

No other establishment Englishman showed such foresight in spotting a winner. The Nehru-Mountbatten friendship was to have a profound effect on Indo-British relations for almost two decades.

While these diaries do not produce intellectual rapture, they do hold your interest because they describe formidable and fateful events, in the making and moulding of which Lord Mountbatten had so large a share.

K. Natwar-Singh

Time trip to Paradise

HAPPINESS
by Theodore Zeldin
Collins Harvill, £11.95, 320 pages

THE SIMPLEST questions are often the most profound. What makes us happy? What is happiness? They have exercised great minds, sometimes rather fruitlessly. The well-known professor of French history, Theodore Zeldin, says that years of sitting in libraries studying the past have culminated for him in a sense that human history can be reduced to a search for happiness.

So, Zeldin takes us to Paradise in the form of a fiction. There, we follow the adventures of a time-travelling woman named Sumdy, from some obscure future, who requests a tourist visa to Paradise because she thinks that by this means she will find what happiness is and how it affects people. Later, she comes back to "reality," for occasional conclusions that might inspire readers who are persistent enough to reach their own.

I can't help thinking that this book is based on dreadful misconceptions. The first is that an historian and collector of bric-à-brac, "loaded with prejudices and theories," can make the transition easily from academic discipline to imaginative fiction. Zeldin says: "Academic prose could no longer suffice for me, rejecting as it does all the possibilities for the rearrangement of the facts of life which modern art has discovered."

Surely, though, the answer is not to mix up a dough of fictive styles, slipping from one genre into another with bare conviction. It seldom will succeed. Zeldin is one of the supreme exponents of academic prose, able to make the past come alive with rare skill. After *Happiness*, one hopes he will abandon what he calls his "New History" and return to the old.

The second misconception is that the vast amount of information an active historian processes and never uses can be thrown together in the cause of enlightenment. What emerges in this case is confusion, even though there are some interesting passages about the various characters Sumdy encounters – Henry Ford, Isaac Newton, Archduke Ferdinand. But, to create coherence out of miscellaneous information is not so easy; and to place erudition within the framework of development and plot – that is quite another matter.

Fellow-travellers bound for Paradise should be warned that Zeldin recommends his book is read "in episodes, perhaps no more than a chapter or two a day." For myself, I'm going back to *Erewhon*.

Andrew Freeman

Unclear case of murder

CRIMINAL JUSTICE: THE TRUE STORY OF EDITH THOMPSON
by René Weis
Hamish Hamilton, £14.95, 327 pages

RENE WEIS re-tells the grisly story of Edith Thompson and Frederick Bywaters, who both were hanged in January 1923 for the murder in east London a few months earlier of Edith's husband, Percy Thompson.

At the time the case provoked a national wave of press and public curiosity, part serious and part morbid, which I for one remember to this day. And it has been thought generally to have stimulated markedly the then-growing campaign for abolition of capital punishment.

There is no dispute that a prolonged and intense love affair existed between Edith and Bywaters, that Percy Thompson was murdered, and that Bywaters murdered him. The still-disputed issue is whether Edith instigated or encouraged the murder.

Weis has compiled his record with great industry and conscientiousness from a mass of press reports, the police and Home Office files on the case, the letters of the main characters (Edith, in particular), the transcripts of the trial and other written records and interviews. His account is all too vivid but suffers from two weaknesses.

First, Weis seems at times uncertain if he is writing a straightforward "true story" of what happened, or the case for the acquittal of Edith Thompson, or a polemic against capital punishment. Second, although he must be given the credit for having some firm source for the various incidents he records, he does not give the record for each one.

As a result, the reader wonders if he is hearing a recorded fact or a speculation by Weis when he encounters such phrases as: "She found male sexuality totally lacking in mystery"; "She is suddenly excited about getting married"; "Edith may have wished that God had provided her with such a man as her brother"; "Edith probably determined then and there . . ."; "While Edith relishes Freddy's letters, she probably blushes . . ." But how does Weis know just what went on in her mind?

Although Edith Thompson was defended powerfully by Sir Henry Curtis-Bennett, the conduct of the case by the authorities, if Weis's account is a fair one, does not inspire full confidence. The police extracted a partial confession from her by telling her, falsely, that Bywaters had confessed already. The judges – including Hewart, the Lord Chief Justice, on appeal – seem even to have been influenced by the idea that "adultery" was prima facie evidence of murder.

Whether, of course, the case contributes anything to the serious issue of capital punishment depends on whether you think Edith Thompson was convicted wrongly. Most fair-minded readers of this book would, I think, conclude that neither the case against, nor for, her has been proved beyond reasonable doubt.

Douglas Jay

In the Beehive bar, it's all Greek

***Christian Tyler** meets the dissident founder of the Swindon School of Philosophy*

WHEN THE regulars of the Beehive pub in Swindon, Wiltshire, drop in for a pint on October 6, they will meet a new kind of taproom philosopher. From him, they will hear not rambling complaints about what is wrong with the country but a dissertation on the value of the ancient Greeks' ideas and a controversial theory about the dating of Plato's Dialogues.

For Noel Reilly, landlord of the Beehive, has appointed a visiting lecturer, refugee Czech philosopher Dr Julius Tomin, to give three seminars annually for the next three years at a salary of £5,000 a year. And the story behind this remarkable contract, signed on the bar last week, is as bizarre as anything conceived by Tom Stoppard (whose play, *Professional Foul*, coincidentally dealt with Czech dissidents and a philosophical convention in Prague).

Reilly, a lanky, bearded Limerick man of Yeatsian sympathies, has rescued Tomin from eight years of virtual penury in a Banbury bed-sit, eight years of frustration by the Oxford academic establishment, and as many months of struggle with the myrmidons of the DHSS.

Tomin's story has delighted the headline writers ("I think, therefore I am not terribly well off," was one). But it has also given others pause for thought about the fate of celebrated political dissidents once they reach the West, about the state of British philosophy under a budget-cutting government and, not least, about the educational worth of philosophy in a science-driven age.

Now, Tomin undoubtedly is an awkward customer, as you might expect in a notable dissident. Even his English philosopher friends think so. But, he is also a man inspired, devoted single-mindedly to his Greek texts, hungry for debate and desperate to transmit his enthusiasm to younger minds.

The trouble is that there is no job for him in Britain. The number of academic posts for philosophers will drop from 507 late in the 1970s to 345 for about 4,800 students in the next university year, even though student demand (for philosophy as part of another course, at least) is rising. About six philosophy departments have closed down as older professors are enticed into early retirement, while the young philosophers are heading for the US or Australia.

Even if there were a job vacant, Dr Tomin would be unlikely to be appointed. These days, the academic has to be teacher, scholar and administrator all at once. According to one friend, George MacDonald Ross, senior philosophy lecturer at Leeds, Tomin has "something very important to offer" and has been popular with students on summer philosophy camps in the Lake District. But, because of British specialisation, there are few students capable of doing classical philosophy in the way that Tomin demands. Ross says he is, therefore, a victim of "structural discrimination".

Tomin's approach is uncompromising, and it is that which has put him at odds with the philosophy establishment here, just as it got him into trouble with the secret police in Prague. As he explained over a pint of Guinness this week, his theories are derived from reading and re-reading the Greek as Greek, not through the prism of the reader's (or someone else's) English translation. He says he reads Plato's Greek in the context of Homer's and Xenophon's and Aristotle's Greek, and sees things that over-drilled English-speaking academics do not.

The most controversial result of Tomin's technique is his belief that Plato's Dialogue, the *Phaedrus*, is the first rather than one of the last to be written. It shows, he says, the young Plato confronting the 65-year-old Socrates and beginning to outline his famous theory of Ideas or Forms. It upsets the traditional account of the development of an idea that found its last exponent in Immanuel Kant.

Does it really matter? Unfortunately for Tomin, it does. He cannot get his papers published and he cannot get the debate he craves. Other scholars resent the imputation that they cannot read Greek properly, and the implication that a hundred years or more of textual analysis should be jettisoned. Modern philosophy, with its formalised methods of treating metaphysical questions, has left Tomin behind. "This dedicated and selfless exposure to the original texts is fine," says David Murray, lecturer in philosophy at Birkbeck, London. "But Tomin is just not in the debate at all. It's just about inconceivable that the *Phaedrus* was the first Dialogue".

With his new patron beside him in a London pub this week, Tomin explained his demands: to be heard, if not believed; not to be forced — East European-fashion — into a job that compelled him to give up his life's vocation; and to be given time to prove the worth of his approach to Greek philosophy.

He thinks the state should support him and others who have shown by their sacrifices that they are committed to a life-long enterprise. He said: "Philosophy has given me strength enough to live for an unlimited time on £67 a week (his supplementary benefit, now gone). I think it's in the vital interest of society to provide people with an elementary opportunity to challenge the establishment in this way."

There can be no doubt that Tomin has made sacrifices for his art. He served 15 months in jail in Czechoslovakia for refusing military service as a teenager. He worked on the railways, building sites and as a nightwatchman. He held unofficial philosophy seminars in his Prague flat with Western academics present, and watched them broken up by police. He signed the Charter 77 on human rights. And finally, after getting an exit visa to attend seminars in Oxford, he was stripped of his citizenship in 1980 and so cannot return.

The Czech authorities, he says, were sure that, once stranded in the West, he would become a non-philosopher, a non-person. Until this month and the advent of Noel Reilly, a generous fellow-immigrant, it seemed they were right. But Julius Tomin is now famous again as the founder of the Swindon School of Philosophy. A man accustomed to secret meetings, *samizdat* writings and the knock on the door, came to England to find himself a victim once again. Except this time there was no repression and no knock on the door — just a deaf establishment.

"It must be strange for him to find that no-one will run risks where there are no risks to be run," says George MacDonald Ross. So Tomin has gone underground again and taken his philosophy with him. Who knows: it might even catch on.

Dr Julius Tomin (left) explains a point about Plato's *Phaedrus* as Noel Reilly, landlord of the Beehive, looks on

Putting in the slipper

DO NOT, please, dismiss lightly the Rossendale Union of Boot, Shoe and Slipper Operatives, even though its membership might not be enough to hold the industry to ransom and produce headlines like "Slipper workers drag feet — boot on other foot, says union."

However, with 4,500 fully-paid-up members, it can dwarf a number of its fellow-affiliates to the Trades Union Congress and seem to them practically as massive as the million-strong Transport and General Workers which has been making its mark at the TUC conference this week.

The Amalgamated Association of Beamers, Twisters and Drawers (Hand and Machine) is an example of one such industrial tiddler. Ironically, since it holds the all-comers' record for length of title, it possesses a membership figure of only 470. Even the Yorkshire Association of Power-Loom Overlookers can boast more than that, numbering a comparatively healthy 581.

Still, at least the Beamers and Twisters are remaining at a steady 470 as opposed to the Power-Loom workers, who seem to have overlooked 12 members since they published last year's figure of 582 and may soon end up neck-and-neck rivals, in the upper 400s.

Moving downwards, we arrive at the Screw, Nut and Bolt and Rivet Trade Union with, both this and last year, a round 400 members. After that, it is a great leap to the Tobacco Mechanics Association, clocking up 110 souls. This organisation has a logo and a shield bearing the initials TMA, but does not run to either a conference or a newsletter.

It does, however, outnumber the Card Setting Machine Tenters' Society (100 members) and looks like maintaining that lead since the Tenters lost a couple of members during the past 12 months and, at this rate, will be extinct in 50 years.

An identical gap separates the Pattern Weavers' Society at 62 and the Scottish Union of Power-Loom Overlookers at only 60, down from 71. (The overlooking of power-looms would not appear to be a growth area, either in Yorkshire or north of the Border.)

Recently, there has been a substantial increase in the society's membership — "two new lads" — but since it takes at least five years to get the hang of weaving patterns, it will be a long time before the figure hits the 1952 high of 250.

Twenty years ago, the Society of Shuttlemakers could count on more than 100 subscriptions. Last year the figure was 46, now it is 41. That is the same as the total clocked up by the Military and Orchestral Musical Instrument Makers Trade Society; but the latter makers can at least face the future with the satisfaction of an encouraging rise from last year's 36 — unlike, alas, the Sheffield Wool Shear Workers' Union.

Not so long ago, this body mustered a respectable 26; then it plummeted to 17. Many unions send more *delegates* to the TUC conference. The SWSWU still languishes at the bottom of the TUC charts, due largely to a lack of factories in Sheffield making sheep-shears, and there is not a great deal that can be done about it.

Yet, we can find a group with even less industrial muscle if we turn to the General Federation of Trade Unions, an affiliate that specialises as a home to small industrial bodies. Its general secretary gave me the total for the Hand Pressed Glassmakers of Great Britain, a total which remains steady, year on year.

"Twelve," he said.

Not 12,000, or 1,200 — just 12. This time last year it was still a dozen so, unlike the TUC itself, there is certainly no short-term loss of members. In the long term, though, the trend is definitely down. A couple of years ago — a short time in glass-making terms — the Hand Pressers boasted 40 fully-paid-up brethren; then, a factory closed. Yet, the brethren are not throwing in the sponge.

In fact, the GFTU quoted an even sadder organisation. The London Jewel Case and Jewellery Display Makers Union ended up with a couple of craftsmen, too few to form a committee, never mind bring the jewellery business to its knees if need be. Reluctantly, it disbanded and the two members went their separate ways. Still, the membership ballot over that decision cannot have cost very much.

Jonathan Sale

Archaeology

The Maroni connection

AN ARCHAEOLOGICAL dig is a tough task — but rewarding when you are working on an important find in the history of early architecture in the eastern Mediterranean. We are digging a grand, 13th century BC structure that we have called the Ashlar Building — Ashlar means finely-dressed masonry of Portland stone quality. This could claim fairly to be the oldest monumental building in Cyprus and was the administrative centre of the Maroni valley late in the Bronze Age when its inhabitants were in charge of food and copper-working.

Both the A. G. Levantis Foundation — the Levantis' are a distinguished Cyprus family — and the *Financial Times* have given financial support to the project. And our labours have been rewarded by seeing the building emerge from the rigid grid by which we dig.

Our 4 x 4-metre trenches leave a pattern of metre-wide blocks of earth, or baulks, the sides of which show layers of earth. We draw the layers with precision on a scale of 1:20 metres. Some layers are identified only after clearing the trench. Then, we dig the baulks carefully to check the drawings and, when all the earth is gone, there is a new view of the remains.

Taking down the baulks is final. Afterwards, only our notes and drawings can show how we found things, which makes us proceed with caution. But, the results are exciting: at last, the building has appeared as its Bronze Age builders had seen it. Alas, it is decapitated, as the walls are only a metre high and there are no upper floors, but it is clear how its rooms connect and how the place worked.

The symmetry is impressive. On the east side is a row of five large rooms of equal size, the fourth of which has Cyprus's oldest olive press. At the north is a complicated double system of small rooms and passages. The very large space in the middle is a contrast. Probably open to the air, it had walls of ashlar rather than the mud-brick and fieldstone of the rooms around, and was approached along a passage floored with gypsum, a sparkling crystalline limestone.

Many of the outside walls are also in ashlar, making the large building — it is 20 x 30 metres — an important piece in the history of early architecture in the east Mediterranean.

The trouble is that everybody from the 7th century BC to the 19th AD has dug trenches to remove the ashlar for building stone, leaving us to put together a grand edifice from scraps of fine walling left us. The imagination has to work hard.

On the gypsum floor in the passage, and in the fill underneath, we have found more remnants of copper-working: furnace refuse, a ring, the socket of a spearhead, and an arrowhead with the shaft's wood still adhering. The copper, Cyprus's staple export later in the Bronze Age, was mined above the village of Kalavasos in the next valley to the west, where there is another grand building like ours and of the same date.

Both probably were built to supervise the copper around 1,300 BC, and both lasted about 100 years until abandoned in the 12th century. We do not know why they died when other centres in the island still were flourishing. Politics? Or business? Or did the seam run out in perhaps the first instance of boom or bust in mining towns?

We do not know, either, if anybody lived in the Ashlar Building or if it was for daytime official use only. But whoever built it could command labour to make foundations two metres deep and walls two metres wide. These thick walls are a sure sign there was an upper floor, where people could have lived.

Next year we finish the Ashlar Building and will make tests under its floors to find more of what was there before it was built, which could tell us why this site was chosen. We shall continue in an adjacent building, almost as large but constructed more roughly, which might have been a storehouse.

The buildings are grouped on their own in open countryside. Now that we see them as they really were, it is possible to imagine the trepidation, curiosity and greed of those who watched them built. They marked a new social order, which did not survive long. Explanations next year should be yet more definite. In the meantime, reports must be written and funds raised. I hope we have the same team: it was the least emotional dig I have known. Our oldest workman was in his mid-80s (he started digging in 1928) and the youngest helper was 13.

Gerald Cadogan

DESPATCHES
• Hong Kong •

Knives out for a bank

FROM UP here, all of Hong Kong is laid out like an over-crowded, grubby toy town. Government House stands out like a very superior doll's house, starkly white and spick and span, yet relaxed in its manicured green setting, alone and aloof from the determined, money-making hustle-bustle all around.

Elsewhere, each square millimetre of space, on land and sea, has some claimant. In the harbour there is every kind of boat, from sleek, ocean-going liners and box-like container ships to tiny walla-wallas wallowing in the tossing waves. On land, skyscrapers grow like weeds, craning ever higher for some light and air. But they are all small, almost miniature, below us.

This is, however, only because we are on top of the colony's newest, and still unfinished, building. It is a fitting commentary on the approaching new order that this skyscraper, looking down on the capitalist sprawl around it, is the headquarters of the (communist) Bank of China.

Designed by I. M. Pei and Partners of New York, it is 70 storeys high, a full 20 more than anything else in Hong Kong's central business district. It is just over 1,030ft (315 metres) from the ground to the top floor, and around 1,210ft (370 metres) if the two chopstick-like posts on top are counted. It is the fifth-biggest building in the world and the highest outside the US.

Not until midnight on June 30, 1997, are the British colonialists due to move out, to be replaced by Beijing's administrators. Already, though, China is pouring money and men into Hong Kong. So, the new predominance of the Bank of China building is symbolic of the new era.

Yet, not everyone is happy about the changing times, certainly not Hong Kong's people. Emigration from the colony has reached record levels

The Bank of China building itself has not escaped controversy, and not merely because it is a political and economic symbol. Hong Kong Chinese believe strongly that life must be in harmony with nature or there will be disaster. The study of *feng shui* (literally wind and water) or geomancy (foretelling future events) is crucial. It is practised keenly in little things and in large; in ordinary houses, it is common to see pictures hung at a tilt so that the evil spirits cannot sit but will slide off.

Pillars of the business community will not do anything until the *feng shui* man has been consulted. After a series of accidents at the racecourse, Buddhist monks were called in to exorcise the evil spot. All over Hong Kong, tiny mirrors are placed strategically to drive off evil spirits who cannot stand the sight of their own ugly faces.

The superstitious critics say that I. M. Pei and the Bank of China are flying in the face of *feng shui* and asking for trouble all round because of the building's angular construction. Perhaps because of this, the Japanese construction company rushed to complete topping-out on August 8, 1988 — the so-called "luckiest day of the century" because the Cantonese word for eight, "baat," rhymes with "faat," meaning "prosperity." But no senior bank executive was there for the ceremony, and nor was architect Pei.

The bank's design is based on a series of interlocking triangles which, inevitably, has created a series of sharp angles. Local *feng shui* men say that the sharp sides are like daggers. Ominously, one of these points at Hong Kong's Legislative Council building and another is directed at Government House, while others seem to stab inwards towards the heart of the bank building itself.

However, there also is argument and unhappiness about the two "chopsticks" on top of the building, which serve no function but to give it extra height. One *feng shui* man says that no good Chinese, whether capitalist or communist, would dare to place his chopsticks upright; he always lays them flat. This is because putting them upright resembles incense sticks — a memorial for the dead.

Kevin Rafferty

Very fishy behaviour

***John Hunt** on growing violence in the salmon poaching world*

THE SALMON poacher has always been part of British rural life. Countrymen saw little wrong with supplementing their diet by lifting fish from under the noses of the water bailiffs. In the 1980s, however, salmon poaching has become big business with an annual turnover of more than £1m — and violence is mounting.

A fisheries officer on the coast of Donegal, Ireland, had to flee in his pyjamas when his home was petrol-bombed. Masked poachers tried to ram a patrol boat after their nets were seized.

Steve Barker, Welsh Water's head bailiff on the Usk, has twice been threatened with a shotgun while making an arrest. A suspected poacher is on the run after threatening a policeman and a bailiff with a rocket flare.

Graeme Harris, district fisheries and conservation officer for the south-east district of the Welsh Water Authority, spells out the scale of the poaching problem. "We calculate that the illegal catch now exceeds the legal catch and may be several times higher. A minimum estimate of the annual illegal catch on the Wye, the Usk and Severn estuary is in the order of £500,000. It is an epidemic."

Poaching is often carried out by organised gangs. Acting on tip-offs from informers, they travel to any part of the country where the salmon are running strong.

Poachers play cat and mouse with the bailiffs, who have the status of constables and carry handcuffs and hefty wooden truncheons. The bailiffs use walkie-talkie radios to co-ordinate operations but their quarry have responded by intercepting the messages with CB radio equipment.

The hunters employ night scopes that intensify the light and enable them to spot poachers at a distance in the dark. In one incident on the Severn, poachers responded by setting trip wires that detonated blank cartridges.

The bailiffs use massive torches as powerful as aircraft landing lights and sometimes employ police-trained Alsatian dogs. Harris recounts one incident on the Usk when a fleeing poacher was grabbed by an Alsatian, but escaped by crawling up a culvert.

"He was treated in Abergavenny hospital. But it would be useless to prosecute because there would be dozens of people to swear that he was in the pub playing darts at the time." Now, bailiffs use video cameras attached to night-vision equipment, and a timing recorder. When this is produced in court, the plea is usually changed instantly to guilty.

The development of light, mono-filament nets of man-made fibre has made the poachers' task easier. Unlike the heavy old hemp nets, they can be carried and concealed easily. They hang like a fine mist in the water and catch the very smallest fish, as well as the larger ones. This results in a drastic drop in the salmon population.

Poachers are not the only culprits. Poor water quality due to run-offs from land drainage and forestry, climatic changes, or the large numbers of salmon devoured by seals at sea, are also contributory factors. But Welsh Water concluded that over-fishing by poachers was the main cause.

It is an expensive business. The south-eastern district now employs 19 bailiffs. At Newport, £150,000 has just been spent on a metal slipway for the two patrol boats. The authority originally obtained permission to use the slipway of a local yacht club. Anonymous callers warned club officials that, if this went ahead, they would find their moorings cut and their boats floating out to sea.

The poachers now employ more deadly methods. Potassium cyanide suffocates fish, but leaves the flesh untainted. Explosives have been used, as has the gaff — a hook on the end of a pole — to pull salmon out of tributaries at spawning time.

A night patrol down the Wye, near Ross-on-Wye, Hereford and Worcester, revealed the bailiffs as a group of quiet, gently-spoken countrymen. "They (poachers) are not going to give you any trouble when you suddenly creep up on them and put your hand on their shoulder at 2am," said Keith Harvey. "They just jump out of their skins."

However, group leader Jack Ingram revealed that the tyres of his car were shaved with a sharp knife to cause a high-speed blow-out. Luckily, one blew as he was pulling out of a garage. He has had concrete blocks dropped on his boat from a bridge.

Ray Dobbins, who patrols the head of the Wye, said his sheepdog was poisoned and his car sprayed with paint.

At about 10pm, three of us started our trip down the Wye in a dinghy. The boat made a ten-mile sweep down the river to a point where three bailiffs were hiding. Two others followed by car.

Although there was no moon at first, a surprising amount was visible through the night scopes. A man was spotted lurking in the cab of a tractor parked on the bank. As we approached he darted out and ran off across the fields. No poachers were sighted, to Jack Ingram's frustration: a lot of salmon were running so he suspected they must be lurking somewhere.

Bailiffs patrolling the area where the Usk leads into the Severn Estuary face different problems. Eight commercial fishermen are licensed to fish for salmon there so poachers operate under the guise of fishing for white fish such as bass and mullet. For charges to stick, they have to be caught with the stolen salmon in their possession — when they see the patrol boat they throw their booty overboard.

The bailiffs therefore set ambushes on shore and handcuff the miscreants as they load the salmon into a van. Punch-ups are not uncommon.

There are believed to be as many as 40 poachers operating on the Usk, working two to a small boat. On a good day they could take 25 salmon. If these average 10lbs each at £2 a pound, they have earned £500. Some are thought to be pulling in £15,000 a year - tax free.

Steve, 32, worked for a year as an accountant but wanted something more exciting so he became a bailiff.

There are four fit-looking, young bailiffs with him on the patrol. The poachers watch through binoculars and head for shore if they see the patrol boat going down the slipway.

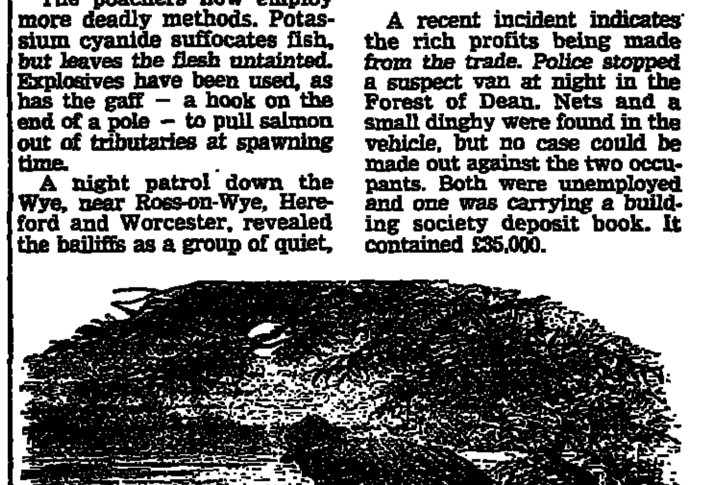
As we started our patrol a grey boat came round the headland, stopped and turned back as we went down the slipway. As we viewed the occupants through our glasses they gave a defiant "V" sign.

By the time our powerful twin-engined patrol boat got out into the estuary any poachers had been alerted and returned home.

Steve will be relieved when the new dealer licensing scheme introduced under the Salmon Act of 1986 is implemented. This will make it an offence to buy or sell fish other than through a licensed dealer. At present, much of the illegally caught salmon is sold to dealers and the water authorities often have a shrewd idea who they are although proving a case is another matter.

Welsh Water, together with South West Water, led a campaign for salmon tagging as the most effective means of combatting poaching. Under this method, legitimate fishermen buy security tags and place them on fish when they are caught. Any person possessing or buying untagged salmon would be guilty of an offence. The scheme was rejected as impracticable by the Ministry of Agriculture.

A recent incident indicates the rich profits being made from the trade. Police stopped a suspect van at night in the Forest of Dean. Nets and a small dinghy were found in the vehicle, but no case could be made out against the two occupants. Both were unemployed and one was carrying a building society deposit book. It contained £35,000.



FASHION

Lucia van der Post finds American accessories in Harrods and a new youthful approach at Burberry

The bag that tells the world that you have come of age

IF YOU have never been to the States then the name of Coach may well mean nothing to you. The Coach handbag is to generations of well-bred and well-heeled Americans what the Hermès scarf or anchor and chain gold bracelet is to their *French contemporaries – the* badge they are awarded by loving parents as they arrive at one of life's great rites of passage. It may be an 18th birthday, a departure for the outer world of "school" or even a graduation, but whenever it is, a Coach handbag is one of the things a certain kind of American loves to own. They are an integral part of the American landscape.

Until now Coach handbags have been available only in the United States but next week, from Wednesday 14, Coach will be available in this country in its own new department in Harrods. You, too, will be able to see what all the fuss is about and you, too, if you decide it is the bag (or wallet or briefcase or even perhaps briefbag) will be able to own your very first piece of Coach.

In the States Coach handbags are beloved of professional women and those whose parents do not so considerately provide them with one as they set out on life's great adventure save up until they, too, own one of those understated, sturdy, functional bags.

For Coach handbags are all about quality and a certain sense of understatement. They are undemanding and like everything with breeding, would deem it unbecoming to shout or grab attention. *In this respect they are* very different from some of their more extrovert and headline-grabbing foreign cousins. They are made of finest natural leather, water buffalo or cowhide, with all the natural markings considered part of the beauty of the skin. They are made with endless attention to detail – finely-stitched seams, solid brass buckles and closures, hand creasing and folding, all the things that count when summing up what makes for quality leatherware. Made in a large and airy factory in the middle of New York's garment district, each bag is handmade, passing through some 125 different processes on its way to the final quality control. There are no initials on them, no jangling bits, all the leatherware is plain though it comes in a variety of deep, restrained colours, ranging from the natural through to deep brown and claret.

Coach leatherware is not to everybody's taste. They are not over-designed or over-refined. They have a slight air of the country though they come happily up to town. They would not go easily to a cocktail party or with a fine silk dress to Ascot. Those who like Coach tend to like it very much – the average customer owns six products – *but there are some who do not seem to* understand that natural things like leather are susceptible to change as they get used and grow older and complain if the leather stains or a few scratch marks become visible. These people should direct their attention elsewhere.

The new Coach shop in Harrods will look much like its American counterparts – all dark, old wood, with the feel of the currently popular "library" look.

Look to Coach for lovely capacious bags for daily use. They are soft, unaggressive to look at (no unattractive power statements here) and yet are exactly what the busy working woman needs. Big enough to carry her needs for the working day (cheque books, credit cards, purse, notebooks, pens, a modicum of makeup) and yet goodlooking, too. There is a marvellous series of briefcases – again no tight, status-conscious symbolism here, just relaxed, capacious bags that do their job classily and well. For me, the star of the briefcase collection is Wall Street, the softest, most relaxed, most capacious of all.

There is also a fine collection of small leatherware – things like purses, wallets, belts, all made from water buffalo skin. *Products of this quality are not* cheap but all should last a lifetime. Coach has a completely unrestricted return policy. No matter where you bought a piece if you don't like it you can hand it in and get a full cash refund. As its managing director, Lew Frankfort puts it, "We are not looking to sell a few bags or briefcases – we are looking to build relationships." On the way, though, they manage to sell an awful lot of bags. Coach leatherware is in Fortune magazine's list of the top 100 companies in the States and its has an $85m a year turnover.

If you do decide to invest in a bag, they need very little looking after. Scratches can easily be rubbed out - either with the Coach special polish or simply by polishing hard by hand with a cloth. Stories of Coach handbags falling upon hard times and being picked up and restored are legion in the States, so don't treat it like cottonwool – use it and enjoy it.

Sketched here are four typical examples from the Coach range. At the left, back, is Wall Street, a soft and roomy briefcase which could be used by men or women. In black, British tan, Burgundy or Mocha, it measures 17" by 11" by 5" and sells for £285. Back, right is the Envelope Portfolio - the perfect working woman's bag, 16½" by 11" by 3½", in black, British tan, burgundy, flannel grey, mocha, navy, putty, red or tabac, it is £180. Front, left, is the mini bag, perfect for a young girl, 7" by 6" by 2½", in 10 different colours. It is £71. Front right is a wallet and coin purse - 4¾" by 3½" – in lots of colours. It has six credit card pockets and costs £75. All can be seen and bought at Harrods Coach Shop from next Wednesday (a mail order service is available).

She sports a corduroy coat (£190), a chambray shirt (£39) and cord trousers (£55). Sizes 8-14. All in assorted colours from Thomas Burberry, 165 Regent St, London W1. Available from September 14.

The very latest leisure look: Cotton coat with wool lining and cord collar (£130), needlecord shirt (£47), brushed cotton trousers (£55) and leather belt (£32) for him. Sizes 38-44.

Bogart look revamped

YOU CAN imagine the dilemma in the boardroom of Burberry. Here they have this absolutely bluechip name, a byword round the world for quality, beloved particularly of the Japanese and Americans, but somehow inextricably linked with what Stanley Peacock, managing-director of Burberry, calls the 40-year-old wealthy traditionalist. All those thousands of clothes-conscious free-spending youngsters out of the Burberry orbit – something would have to be done.

Stanley Peacock is not one for standing still. When he first joined Burberry way back in 1957 turnover was a mere £500,000. This year it will be £320m. But ever on and upwards is the motto and for years he has been niggling away at the problem of how to bring the young and upwardly mobile within tinkling sound of the Burberry cash registers.

The difficulty, of course, was the classic one that faces most bluechip companies – how to grow and expand without debasing or diluting the name. Two years ago Stanley Peacock reckoned he'd hit on it. "Thomas Burberry – the name of the original founder, whose raincoat has gone down into history. We'd use his name to provide the link and create a completely separate, younger more affordable collection, called Thomas Burberry." Next week, on Tuesday 13 at the Burberry Regent's Street shop, the fruits of all this thinking and effort, the Thomas Burberry collection, will be unveiled.

There will be clothes that are undoubtedly quality clothes, beautifully made, but undeniably they are not the sort that you expect to find under the Burberry label and on average they will be about 30 per cent less expensive. They draw on classic shapes "but," as one of the designers put it, "the detail is youthful. We've taken a great deal of trouble with fabrics and they immediately proclaim that the clothes are youthful in mood."

The detail is worth looking at. Look at the carefully chosen linings as well as the workmanship that has gone into putting them in. As spokesman put it, "Like a Rolls-Royce, it's worth looking under the bonnet. Look at the bindings, at the buttons, at the fabrics."

The fabrics are lovely – soft and understated, many of them deliberately treated so that they don't look shiny and new. There's some lovely gummed silk - all matt and lovely to feel, some interesting washed-wool sweatshirts, some trousers made from treated brush cotton. It takes a little time to appreciate them, so understated is their charm, but I found that the more I looked the more I liked them.

The chief pitfall they had to avoid was not to produce just a cheaper version of Burberry. They tried to avoid this by creating a different spirit, aiming the collection entirely at men and women in their leisure time, which immediately gave it a mood that is much more relaxed.

As the design team constantly reiterates – "It is not so much about clothes as a way of wearing them. We wanted, above all, to avoid the vintage feeling that we feel has been so overdone. We know that young people do want well-made, classic clothes but we feel they want new classics not phoney or pseudo old ones. This is what we hope we have done. The problem with classics, though, is to stop them from being boring – we think we've made ours desirable by paying attention to fabrics, texture and colour."

So if this is the kind of look you think you're after go along and have a look. Look at the soft unstructured jackets (there's a beautiful bottle green relaxed version of the blazer), at beautifully cut trousers (including some very desirably and finely cut navy shorts), at the pure cotton gently-coloured shirts, the *short, swingy* raincoat that wouldn't have done much for Humphrey Bogart but will do a lot for today's bright young City worker.

Burberry made for two: Her cotton shirt costs £39, the wool waistcoat is £42 and *stretch twill trousers £80. His* cotton shirt is £39 and the brushed cotton trousers are £55. All from Thomas Burberry, 165 Regent St, London W1.

Picking up the threads on a desert island

***Karen Elder** discovers a rewarding way to pass the time while waiting for the rescuers to arrive*

IF I WERE washed up on a desert island, I think I would swap the eight records that *usually are part of the deal for* eight needlepoint (or tapestry) projects and a pile of threads and canvas.

I would not need rescuing for quite some time for there are lots of endlessly-engrossing stitches, colours, yarns and techniques with which to experiment. There are rugs on big canvas, tiny doll's-house carpets, and pretty cushions with silks and beads. However, mastering these without a little help and guidance can be daunting, so I did some research into teaching classes from which I might benefit in preparation for my island stint.

It appears that there is a class or course to suit just about anyone, from those who want just to learn basic stitches to others who are passionate about needlepoint and are ready to try the most exotic techniques and materials and want to spend a weekend in a top-class country house hotel learning how to do it.

Whatever you want to learn, *it is likely you will find teachers* quite close at hand. The best source of information is often your local needlework shop, for many of them hold classes themselves or will know about teachers in your area. Most local authorities run evening classes in needlecrafts, so that also might be a starting point. The list below includes some privately-run courses around the country varying in size, length and, of course, price.

A few phone calls will give you the information you need but be sure to ask if basic materials are included as this can make a big difference to the overall cost.

The Royal School of Needlework runs classes in various locations around London. Visit it at its shop in Covent Garden, or telephone (01-240 3186.).

Anna Pearson (01-727 9696) holds courses for the serious and experienced needlewoman (including a luxurious weekend at the Miller Howe Hotel in the Lake District) and some for beginners as well.

Anne Morrow

Mardi Gorman runs a needlepoint school (01-584 6935) and has a mine of information to impart. She has taught many of the experts who now pass on their knowledge through running their own schools.

Caroline Denoon Duncan was a Gorman pupil. She is now responsible for many of the designs in the Stitchery kits collection, and her short courses with very small groups are immensely rewarding and pleasant. She holds them at her home in Surrey.

More intense, but aimed at giving you a good basis in canvaswork stitch techniques, are the one day teach-ins run by the Coleshill Collection at Amersham in Buckinghamshire (02403-7700). Around 30 students are grouped onto tables of six, each with a supervisor, and a lot can be learned in a short time.

Also in the south of England is the Tapestry Centre at Alresford in Hampshire (096-273 4944).

Going west, there are the Campden Needlecraft Centre at Chipping Campden (0386-840 583) and Threadneedle House in Nuneham Courtney, Oxfordshire (0844-51332). They offer a variety of courses at very reasonable prices

Gawthorpe Hall near Burnley, Lancashire (0282-78511) runs a variety of textile related courses, including canvas work of all kinds, while Voirrey Embroidery on Merseyside (051-677 7393) has a large centre where it has exhibitions, runs a large needlework shop, holds classes for beginners and hosts guest instructors for more specialised teaching.

There are courses on offer all around the country and your local branch of the Embroiderers Guild will have information. Ring guild headquarters at Hampton Court (01-943 1229) for contact addresses.

Some other recommended *places include:*

Studio Hepatica, 82a Water Lane, Wilmslow, Cheshire (0625-526622).

Valley House Craft Studio, Ruston, Wykeham, nr Scarborough, Yorkshire (0723-86246).

The Embroidery Shop, 51 William Street, Edinburgh (031-225 8642).

The Textile Workshop and Gallery, Gladstone's Land, Lawnmarket, Edinburgh (031-225 4570).

Desert islands are more difficult to arrange and I couldn't get a single one to divulge its telephone number, so you will have to do your own research. But, if you don't fancy a sea voyage on the off-chance of being shipwrecked, arm yourself with canvas, scissors, yarns and needle and the hours will flash by during those long delays at airports, flights to Australia and endless train journeys. I recommend you try it.

DIVERSIONS

Life beyond the chintz

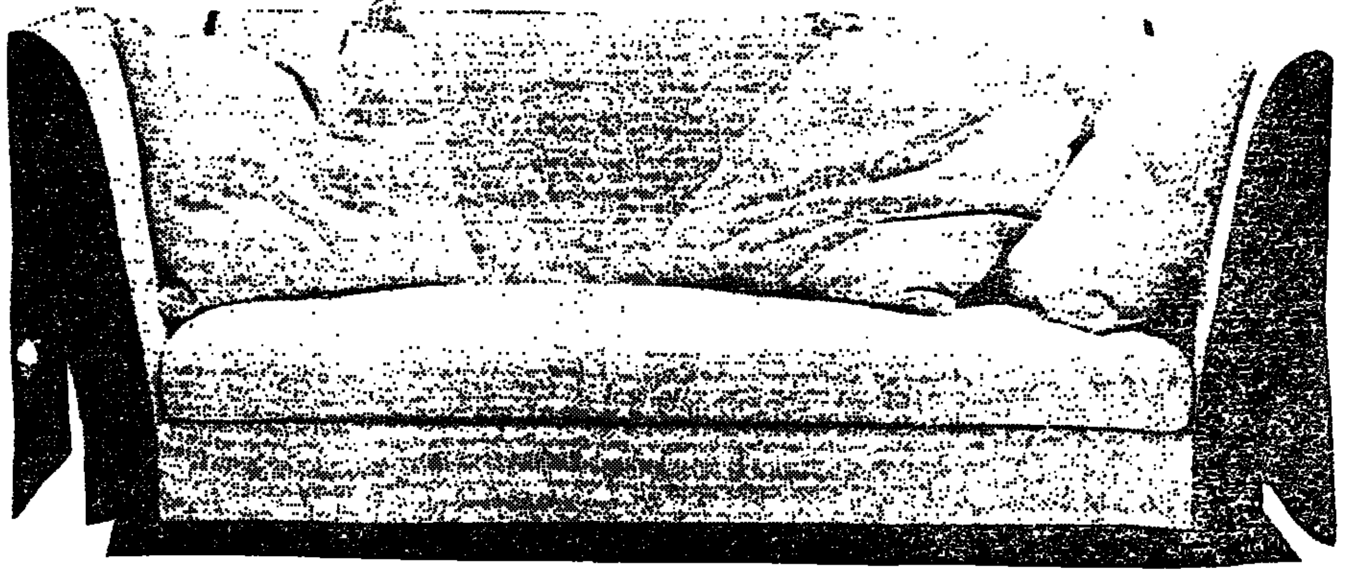
Lucia van der Post is astonished to find that British design is once again being hailed overseas by the cognoscenti

SITTING HERE in London it is hard to imagine quite how others see us. From my vantage point the obsession with nostalgia, with faded glories, with fabrics, garments, suits, haircuts, luggage that all reek of other grander days seems almost overwhelming. From a design point of view England looks rudderless, adrift in a sea of cabbage roses.

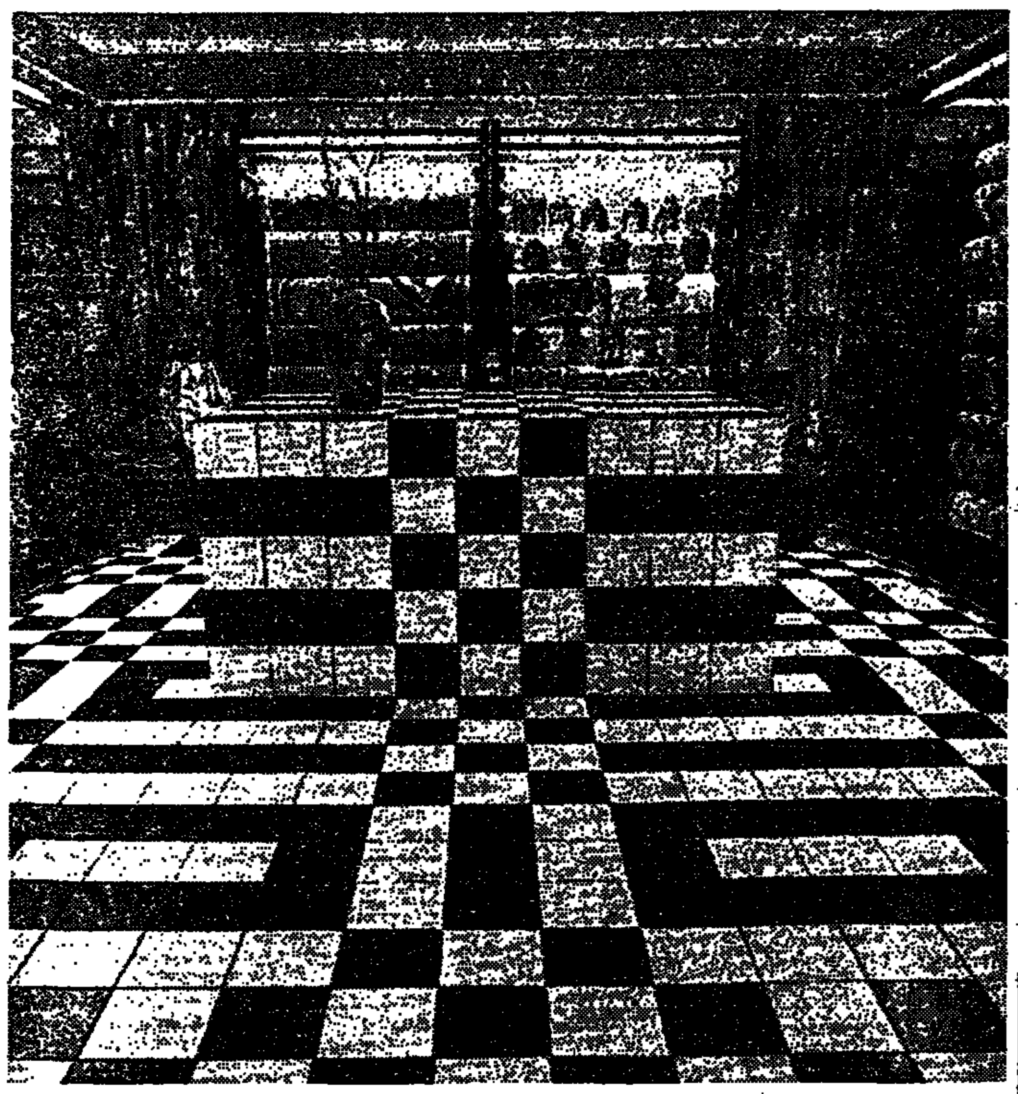
Imagine then my astonishment on picking up, at Boston airport, a splendid magazine, new to me, called Metropolitan Home, to discover from the coverline that "London's hot!" and that "The British are coming – fashion, furnishings, food and more." Inside, its editor tells her readers, with scarcely concealed excitement, that nowadays the design cognoscenti, that elite band that treads the annual design path from Milan through to Paris and Scandinavia now feel required to "see, buy, wear and even EAT (my goodness, how times have changed) English."

It's so long since Biba, Mary Quant, the infant Habitat et al made Britain the turning point of the design world that I'd forgotten what it felt like. There is, it appears, a life beyond the chintz. Not everybody is pretending that their Hackney flat is part of a slightly faded, once grand country house, that their furniture has been passed down through the ages and their pictures part of an unexpected cache come upon in the attic. There are alternatives to the cabbage rose.

If you, too, were wondering if there was a contemporary, modern aesthetic, one that was neither borrowed nor inherited, here are just some of the people and designs that might help you put it all together.



The Kent sofa from Soho Design — this one would cost £1,562, cushions extra at £60.75 each



The interior of Timney-Fowler's at 388 King's Road, London, SW3

HOW TO SPEND IT

Soho Design, 263, Kings Road, London SW3.

Regular readers of How to Spend It may remember the name of Soho Designs and its founder and inspiration Peter Leonard. He seems to have found a genuine aesthetic voice of his own. What he is aiming at is "simplicity, elegance, fine materials and a touch of eccentricity," and, as you can see from the pieces photographed here, he manages it. Almost everything he produces is not only relatively affordable (his sofa, for instance, is £995 (plus fabric) his most famous the Gothic chair £75 but, perhaps more importantly, would not require its brand new owner to throw out everything he already owns. His designs have an authentically English air about them, taking their references from well understood cultural vantage points. The range is increasing all the time and apart from the well-known Gothic chair and the exceedingly fresh, modern yet comfortable looking sofa, there is now a new version of the eminently useful and hard-to-track-down butlers tray, a high-backed dining chair with a solid beech frame, a console table, a stunning "handkerchief table" and, for those who are after something a little smaller, the stark but eloquently elegant collection of candlesticks and candelabra.

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Inventive Design, 156 Ifield Road, London SW10.

Described by Designer Magazine as making "some of the most interesting contemporary furniture in Britain" what seems to me perhaps most surprising is the many voices with which (aesthetically speaking) he speaks. There are, for instance, his wooden pieces which are filled with classical references, which display a love of ornament and which can be ordered from the shop-cum-studio. Best-known example is his satinwood desk, all Palladian columns, classical allusions, finely finished veneers and marquetry but there are side tables, ottoman box, mirrors and a few other items as well. Then there is his studio range, all slim metal, distinctly modern in tone, volume produced, off-the-peg and therefore more affordable in price. This, too, displays classical twists and references and is full of concern for those who need fine furniture in small spaces. Take his console table that converts into a dining table – a cleverly excuted designed which meets a real need. Finally there is Nick Allen, designer prepared to take on individual, one-off commissions.

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Liberty, Regent Street, London W1R 6AH.

Liberty has consistently championed innovative and interesting design, whether new or old, and its corner of modern British furniture is always well worth keeping an eye on. Among the designers it finds going down well are John Coleman, who produces some simply constructed tables, beautifully made using stained veneers combined with sycamore, which form console tables, dining-tables, coffee tables. Matthew Hilton is another of their protegees and his cast-aluminium furniture combined with oak and medium density fibreboard are discernibly personal and idiosyncratic, though his antelope table (three legs, one of oak, and two of cast-aluminium in the shape of antelopes legs) would fit clearly into the eccentric Englishman's country house notion of furniture. At this year's Milan Furniture Show, traditionally the showplace of new, exciting design some eight or nine British designers will be showing their wares and Liberty will be carrying the selection as soon as they can get them back after the show closes. Anybody interested in the newest, most interesting and most avant-garde should therefore look into the modern furniture department at Liberty some time around the beginning of October.

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Timney-Fowler, 388 Kings Road, London SW3 5UZ:

If it's not in black and white (or just possibly grey and white) then you will know at once that it isn't the work of Timney-Fowler. Sue Timney and Graham Fowler joined forces about eight years ago. They seem to work almost entirely with a black-and-white palette and though nobody could possibly describe their designs as restful they are exceedingly arresting. Their work, to me, seems to have something in common with the equally idiosyncratic and arresting designs of English Eccentrics – it draws on imagery derived from classical references (in particularly striking black and white, of course, classical urns used on wallpaper and fabric) and from old engraved prints. Their neo-classical and abstract images are used on wallpapers, ceramics, borders, cushions and are much used by some of our most inventive fashion designers – Bruce Oldfield, Betty Jackson and Warehouse.

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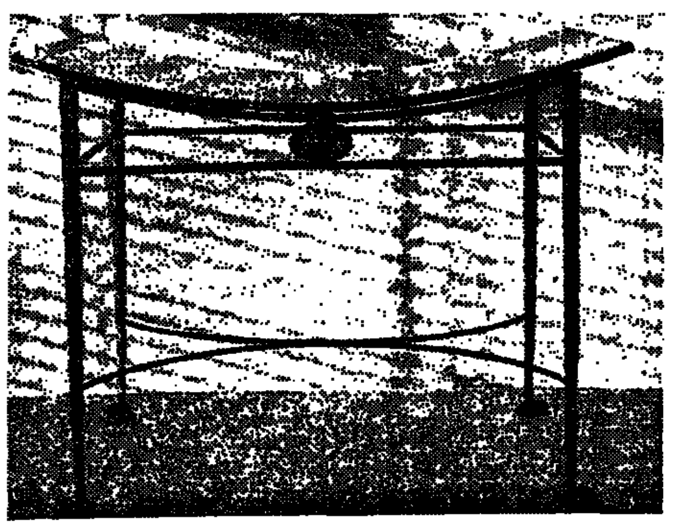
The Study, 55 Endell Street, Covent Garden, London WC2H 9AJ.

Anybody interested in modern design should make a point of looking in on The Study. Here Christopher Nevile has *assembled a vast variety of* work by an interesting and eclectic selection of designers. There are fabrics by Cressida Bell (and Gianni Versace), there are small pieces by designers such as Sebastian Wakefield, there are bookshelves by furniture designer Matthew Hilton, crazy candelabra or chairs by Mark Brazier-Jones, tables by John Graves and lots, lots more to stimulate the visually interested.

Antelope table by Matthew Hilton at Liberty

Shelves at The Study, designed by Christopher Nevile



ool from the Studio collection at Inventive Design

A dram? Malt, please

Wine writer Edmund Penning-Rowsell takes time out to sample the hard stuff instead

ALTHOUGH sales of blended whisky are recovering from the slump at the beginning of the 1980s, bottled-in-Scotland single malt is surging ahead, with more sold world-wide than ever. In the first half of this year, bottled exports have risen to 3.8m litres of pure alcohol, compared with 3.1m in the same period of 1987.

Originally, all whisky was pure malt, and it took a great deal of controversy at the end of the last century – and a royal commission in 1909 – to establish the authenticity of blended whisky, made mostly with single-distilled grain spirit. Nevertheless, there are those even now who regard malt as "the only real whisky."

Blended whisky is lighter and more assimilable but lacking in the depth and distinction of flavour obtained only from pot-stilled malt, as well as the interest and variety to be obtained from "single" whiskies of various ages from the distilleries producing them in the Highlands, lowlands and islands of Scotland.

Late in the Seventies, there were 117 of these. Today, there are about 80, of which the United Distillers Group (UDG) – which includes the Distillers Company (DCL) – owns around 50, including the five taken over when Guinness bought Bell's. Eleven were closed and about 10 mothballed in the slump.

Between 50 and 60 distilleries are producing malt whisky only, but there probably are around 70 malts available in bottle (although these will include examples from distilleries now closed as well as brands bought from distilleries in the past and bottled by *other merchants, of which the* best-known is Gordon & McPhail of Elgin). Increasingly, however, the leading malt houses are insisting on their own bottling of whiskies bearing their name.

Grain whisky is made from various cereals and is single-distilled, like gin and vodka. Malt whisky will depend to some extent on the quality of the barley which, until recently, was largely malted at the distilleries on peat-loaded fires but nowadays is produced by maltsters. An exception is Balvenie in Dufftown, as William Grant & Co finds that a combination of bought and home-produced malted barley gives it the best results. But at Glenfiddich, which William Grant also owns, only maltsters' malt is used for its much larger output.

The double-distillation takes place in swan-necked copper stills. The different shapes and heights – the tallest are Glenmorangie's 17-footers – can have a varied but undetermined effect on the final product. The alcoholic strength is about 68 degrees, when the spirit is *transferred to* oak casks to lie undisturbed for years. Unlike Cognac, where the brandy casks are topped up every year, these whisky casks seldom are opened until vatted before bottling. Evaporation accounts for about 2 per cent a year.

The type of cask used is a vital factor in the ultimate taste of the spirit. Most common are American bourbon casks as, under American law, *these cannot be used twice.* The other source is sherry casks – increasingly hard to secure since more and more sherry is bottled in Jerez. The Wine Society, which continues to bottle most of its sherry, sends all its casks to Scotland for its whiskies. But the leading companies, including Glenfiddich and Macallan, buy the oak in Spain, have it coopered and then loan it to sherry houses such as Gonzalez Byass and Domecq to use for three years before shipping to Scotland. The casks usually are filled twice.

The number of sherry casks used varies greatly. Glenmorangie, which makes a light style, employs 99 per cent American oak while Glenlivet derives only 5 per cent of its output from sherry cask-matured whisky. Glenfiddich, the biggest single malt distiller, has 15 per cent but Macallan, the whisky from which is well-coloured, is 100 per cent aged in sherry casks. At Balvenie, the whisky is put into fresh sherry casks for only the last 18 months of its 10-year maturing period.

Although I appreciate the lightness and elegance of such top-class malts as Glenlivet and Glenmorangie, my preference is for the heavier, sherry cask-influenced malts, of which Macallan is the most celebrated. At Glenlivet, I was given a special, well-coloured 12-year-old from sherry casks and I preferred it to the normal blend. Casks that have had dry oloroso in them are generally the most sought-after.

The age at which *malt* whisky is sold varies from distillery to distillery, and there is now a certain move to market older whiskies as a speciality. Glenfiddich bottles at eight years while Glenmorangie and Macallan market mostly at 10 years, although the latter *bottles* at various older ages and even puts a vintage on the label. Glenlivet bottles at 12 years, and this is the optimum age for a wide sale. Older malts can become woody if overlong in the cask, and they must be selected carefully. At a tasting at Glenfiddich of various ages, I found the 21-year-old to have more character and elegance than the 18-year-old.

The leading brand by a long way is Glenfiddich, which last year sold 650,000 cases. It has been promoting itself extensively since the early Sixties but has records of distillery-bottling dating back to 1906. It is number one in the UK. Scotland's number one is Glenmorangie, produced to the north of Inverness on the Dornoch Firth. Glenfiddich is number two in Scotland.

World-wide, the second-placed leading brand is Glen Grant, for the rather surprising reason that it sells about 500,000 cases a year of nearly colourless five-year-old to the Italians, who prefer it that way. Glenmorangie sells around 320,000 cases whereas Glenlivet, with a special prestige through having been the first licensed distillery in 1824, as well as producing excellent whisky markets about 250,000 cases under its own label, with nearly half sold in the US. Way down in quantity, but high in reputation, is Macallan.

These top-ranking malts are all independent of UDG, although Glenlivet and Glen Grant are owned by Seagrams. DCL discouraged the sale of its single malts on the grounds that it needed its enormous amounts of malt whiskies for its blends. The only single malt with a wide reputation has been Cardhu, which mostly is exported and has sales far below those aleady mentioned. However, the group has changed its policy and now 13 of its distilleries can be visited, including Cardhu, Lochnagar and Blair Athol (ex-Bell's).

Glenfiddich was the first to realise the publicity – as well as the commercial – value of opening to the public and it has an attractive shop where its whisky can be bought, as also have Glenlivet and Glenfarclas. Taking a leaf out of the French *routes des vins*, seven distilleries have initiated a malt whisky trail: Glenfiddich, Glenlivet, Tamnavoulin, Glenfarclas, Tamdhu, Glen Grant and Strathisla. At most of these the visitor is offered a dram (or, if a car driver, a miniature).

Finally, it is worth mentioning that malt whisky should be drunk 50-50 with water, preferably soft water, in order to bring out the nose and flavour. Unlike cognac, which develops when warmed gently with the hand, malt tastes best with cold water and the aroma can be refreshed with the addition of a further sprinkling.

Food for Thought

Flash in the pan

TWO WEEKS ago Lucia van der Post gave us a front-line report on buying cooking pans. Any reader who has not gone out and stocked up with pans in Calphalon has only himself or herself to blame. The kindest fate you can suffer is to scorch your food on a pan with a too-thin bottom. The worst fate comes, they say, from ordinary aluminium and although Lucia was too kind to spell it out, I do hear that senility is the problem. Cooking in aluminium (as I have done for years) makes you senile (so they say).

Senile or not, I was brought up on Elizabeth David. She didn't talk much about shops except that she was always going on about Madame Cadec. This was a tiny little shop in Greek Street, Soho, stocked on the Aladdin's cave principle with the essential items for a French provincial housewife. Her shop became the ideal, and forerunner of Elizabeth David's own shop in Bourne Street, Pimlico, which still bears her name although she left it some years ago; of David Mellor in Sloane Square; of Divertimenti which used to be across the road from the Cordon Bleu school in Marylebone Lane and has just moved to very glitzy new premises in Wigmore Street; and to many other cookshops such as the Kitchen Range in New Kings Road.

This kind of shop usually has a ground floor with a lot of Provençal and Italian pottery, cookery books and pretty storage jars and then downstairs the hard-core stuff with those glittering stainless-steel Cuisinox pans and lots of basket-ware and wooden boards as well as jelly-bags and stuff. Habitat follows a similar pattern. Everybody uses what they have come to be most at home with; I feel comfy making mayonnaise in a stainless steel bowl with a steel wire whisk: some like a pottery bowl, some a wooden spoon, but there is no right way except your own. Stand in the shop before you buy your Mongolian Huo Kuo and imagine yourself using it. As for the actual hard stuff – the pots and pans you are going to cook in – today's vote seems to go for the professional effect.

There is a real distinction here which is not just a matter of looks. Professional chefs cook very quickly because they have to and the one thing in the restaurant kitchen that has barely changed since the days of Escoffier is the feverish pace. There is little room for the earthenware pot slowly simmering away in the Aga which has become a staple item of the Elizabeth David world and which symbolises comfortable bourgeois food.

In a restaurant kitchen the stock pots may simmer on for ever, but what you get on your plate has been cooked and assembled at blistering heat in the few minutes since you ordered it. The pots and pans used in good restaurants are by no means cheap but they are banged and thumped around in the white heat of near-panic. You will always know when a cook shop is primarily for professionals because its prices will be quoted exclusive of VAT (restaurants can claim it back of course).

There are several such places, not all in Soho although many are, left over from the days when restaurants were all in Soho too. They have the really large utensils that you think you are never going to need and then have to borrow at the last minute. If you think seriously about cooking you ought to have a copy of Gertrude Harris' Pots and Pans, published by Penguin. She really knows her stuff. It's an American book, heartily endorsed by M.F.K. Fisher and it's not trying to sell anything in particular.

Peter Fort

Power of the small screen

MICHAEL COCKERELL'S fascination with what he calls "The Inside Story of Prime Ministers and Television" has already yielded a pair of BBC documentaries. Both were fine pieces of reporting; so too is this book, the better for affording much greater detail.

Cockerell asserts that "every modern Prime Minister has hated, loved or feared television; some have done all three." In fact, most have done all three. All experience the hate and fear, but most succumb to a form of love. Exposure beguiles, and doth make potential news editors of them all. My own recollection is that only Alec Home and Ted Heath maintained a decent lofty disdain for the whole damned business; and even Ted Heath wobbled a bit when it came to yachting.

Cockerell's account continues the story Grace Wyndham Goldie efficiently began in her memoir *Facing the Nation*, but on a different level it can also be taken as a companion volume to Robert McKenzie's British Political Parties. You can argue that the minor matter of television's awkwardness, and how to handle it, hardly measures up to McKenzie's interest in great questions of party organisation and control, but – as Cockerell amply demonstrates – that is not how modern politicians have seen it. It is they who have pushed television on and on, up the political agenda to the point of paranoia.

But were they right? Some doubt suggests itself. Remember the highly effective Kinnock-Gould media effort of 1987, and compare and contrast the election outcome. Over ten elections, I can pinpoint one TV programme only that might have swayed an election. In 1970, Panorama invited – innocently enough – Lord Cromer and Sir Frank Kearton to talk economics. Cromer said the incoming government would find things more difficult than had the government of 1964.

In Cockerell's words: "Kearton seemed to agree." No roofs fell in as the end credits rolled, in fact, like most Panoramas, this one was modestly viewed. But, over the next few days, the drip-drip effect of pundit hesitation dented Labour's sunnier claims, and the Tories began to sense that the election was winnable. But even so, an isolated incident.

And how do Prime Ministerial addresses stack up? I retain one only in the cutting-room of my mind: Alec Home on taking office spoke for two minutes, said what he had to say in short sentences, and left the stage. Cockerell allows that Home demonstrated "an unexpected deftness of touch", at least until the episode with the matches, yet general TV legend still sends Home to the bottom of the class. Macmillan and Wilson are, we hear, the ones to relish. Yet Macmillan's globe-punching, and Wilson's "pound in your pocket" seemed risible enough, even on transmission.

So we come to today's harder times. Margaret Thatcher, no TV natural at the outset, has had her quota of love and hate groomed into a matronly mastery of any who still dare approach her. Cockerell rightly devotes the back half of the book to this transformation. Increasingly, as confidence grew, the Prime Minister found TV's occasional spikiness not just an irritant but also an affront. Any fear in her has long since turned to loathing.

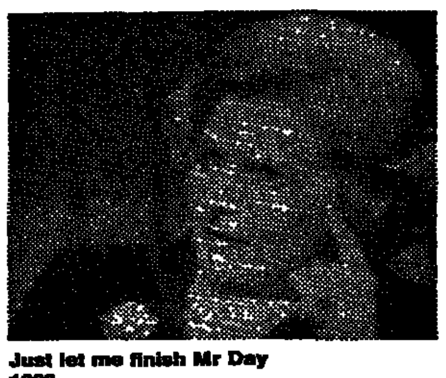
So now in the third term, she has set out to humble the medium. Her preferred method is to weaken television's economic base, by over-extending it. Importers, who care little for the rough and tumble of British democracy, are to move in to fill the gaps, with the attendant hope that what's left of television grit will be washed away in the swell of the import tide.

Of course, not all alien ways are welcome. So, in the field of fiction, Lord Rees-Mogg has been set in place to ward off any over-fondness for sex and violence. But what happens to factual programming once the regulatory rule-book is thrown away? Mrs Thatcher should perhaps take a peek at what Americans now call info-tainment, the latest TV trend, daily expected here. The lurid prurience makes mockery of news values and of public interest. But it is what an unfettered market is most happy to sustain.

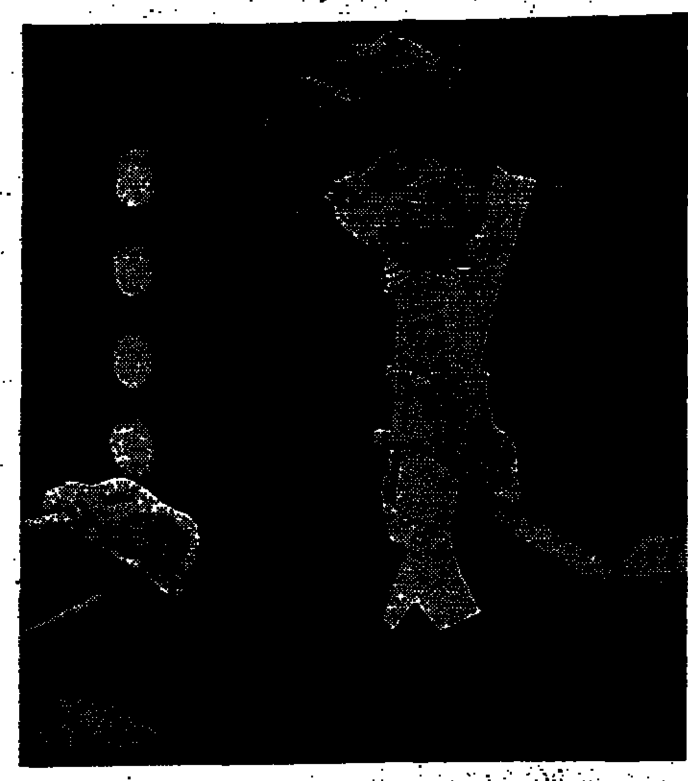
And a watchful eye might be kept too on the more mundane development of televising the Commons. This long-fought-for access could change the shape of the most intractable of the politicomedia equations; sheer day-to-day ordinariness might eventually wear away the jagged edge of apprehension. Access, however, means little without decent availability. We shall have clips of the Commons' in abundance, but there is no determination yet to make the full proceedings available live. Neither admen nor subeditors are likely to step forward, and any talk of social value or public service is these days as a whisper.

■ *Live from Number 10: The inside story of Prime Ministers and Television by Michael Cockerell. Faber & Faber £14.95, 368 pages.*

Brian Wenham



Just let me finish Mr Day 1980



Michael Tilson Thomas

South Bank revolution

Antony Thorncroft on what the London music season holds

THE 1988-89 London music season kicks off at the Royal Festival Hall next weekend with Klaus Tennstedt conducting the London Philharmonic Orchestra in a performance of symphonies by Beethoven and Schubert.

On the surface nothing has changed (except that the programme has had to be changed from the planned Beethoven's Missa Solemnis because Mr Tennstedt's doctors did not want to put too much stress on his health): a big name conductor leading one of the four entrenched London orchestras in safe, sell-out, works.

But Nicholas Snowman, brought in to brighten the South Bank image and to encourage more interesting programmes, believes that the revolution starts here. The concert is the first of some fifty events which seek, over the next three months, to place Beethoven in the context of his time. In effect it kicks off a "theme" series, so beloved by Snowman. Another, starting next month, subjects Schoenberg to the same intense treatment.

At last, after two years constricted by the programme booked by the previous management, the new team at the South Bank is putting its mark on the London musical scene.

It is desperate for success. Last season's theme, "End Games," late works by the masters and covering all the South Bank venues, most notably with the National Theatre presenting the last of Shakespeare, was not a great commercial success on the music side. It had been too hurriedly put together and was too diffuse.

The real test is this season, which is inevitably a compromise between ambitions and resources. One of the long-term ideals of the triumvirate that heads the South Bank, executive chairman Ronnie Grierson, general administrator Richard Pulford and artistic director Snowman, is to nurture a house orchestra of the finest musicians in the country.

But it is taking no active steps to eliminate any of the four jobbing orchestras with international pretensions – the Philharmonia, the London Philharmonic, the Royal Philharmonic, and the London Symphony – and the first three will each be presenting their habitual 30 to 40 concerts this season at the Festival Hall, while the LSO, confirmed as the house orchestra at the rival Barbican, will be playing periodic away matches there.

At the moment all four orchestras are in the black, and while the market, mainly paying customers and sponsors, continues to support them, London will amaze the globe with its musical excess. The orchestras are now only dependent on subsidy (the Arts Council) for 12 per cent of their income and there is no reason why they should self destruct just to please musical purists.

With the South Bank pledged to a more imaginative musical repertoire, and with some of the money necessary to make it happen, even the old criticism that the four mainly produced a predictable diet of pap, or even pop, is less sustainable.

But if the faces are familiar, both among the players and the visiting conductors, (a choice list headed by Karajan and Solti, and including Abbado and Guilini) some of the repertoire is distinctly challenging – a performance on December 10 of Messiaen's epic *St Francois*, for example.

Snowman has a promotions budget of £1.9m this season (as against £1.3m in 1987-88) and around 20 per cent of the concerts will be actually mounted by the South Bank Board (as against 5 per cent in the old days), with the possibility this brings of higher revenue.

In addition Snowman has put gentle pressure on the orchestras to adapt their programming to his enterprising plans, and has pledged that the South Bank will make up some of the loss that an orchestra suffers if it plays challenging, i.e. uncommercial, 20th century music.

The orchestras regard the noises coming from the South Bank with mixed feelings. They object to the image floated that all the good ideas originate there. Ian Maclay of the RPO points out that the *ambitious Shostakovich season* it is mounting from October was the inspiration of its musical director, Ashkenazy. By coincidence Rostropovich was joining the LSO for a similar celebration of the Russian composer's work. Now the two orchestras are happily, and innovatively, *cooperating*.

The contribution of the South Bank to this initiative is to offer a 10 per cent discount on the booking fee for the Festival Hall in recognition of the "challenging" works on offer. This comes to £250 on concerts that can cost £37,000 to mount.

But the South Bank is doing its bit by accepting more "dark" nights (up to a dozen this season) to ensure the extra rehearsal time needed for rarely presented works, and by generally contributing leadership (whether the orchestras want it or not), energy and marketing muscle to the London musical scene. The one thing lacking is the money required to make a dramatic difference. The Arts Council's Ponsonby Report published last year suggested that an extra £500,000, mainly invested in greater rehearsal time, would transform the picture. In the event, although the South Bank was prepared to contribute, the Arts Council itself failed to find subsidy for the scheme.

Sometimes sponsors can be persuaded to foot the bill; the St Francis is made possible by Yves St Laurent putting up almost £100,000. The South Bank has raised its sponsorship target for the coming season to £1.3m (as against £700,000 in 1987-88). The orchestras, too, continue to rely on sponsorship for an increasingly higher percentage of their income: it now contributes more than subsidy. This week the Philharmonia announced a deal with Fujitsu, the Japanese computer company, worth £500,000.

The Philharmonia, which only a year ago was fending off a take over bid from the LPO, is a good example of how the orchestras have embraced creative self sufficiency. It had a successful 1987-88 season, pushing up its Festival Hall audiences to 82 per cent, and now, under its new managing director David Whelton, is modernising its approach, both through incidentals, like dropping the word Orchestra from its title, to mounting an unsubsidised series of South Bank concerts of popular classics (similar to the LPO's "Classics for Pleasure") which should attract a new audience and help pay for scheduled loss making festivals of music by Lutoslawski and Ligeti in 1989.

The other orchestras are in equally good shape. The LPO is already 70 per cent sold for its South Bank concerts, thanks to a promotion with the Sunday Express (which was actually not as effective as last year's tie up with the Sunday Times) which ensured a 82 per cent capacity on the South Bank.

The RPO has succeeded with a different approach. Last season it raised its South Bank ticket prices by 30 per cent. This reduced audiences from 82 per cent to 78 per cent but *boosted* revenue. Another income earner is its "Pops" orchestra, which will double its bookings this season to seventy five.

The LSO has a new principal conductor, Michael Tilson Thomas (who starts work at the Barbican on Thursday with *Mahler's Ninth*), and has signed a generous deal with its landlord, the City of London, which ensures fewer performances and more rehearsal time. If the Arts Council finally withdraws subsidy from the four orchestras their sudden business acumen should ensure that they continue to flourish.

Records

Two French rarities

Messager: Fortunio. Thierry Dran, Colette Alliot-Lugaz, Gilles Cachemaille, Michel Trempont etc./Orch. and chorus of Opéra de Lyon/John Eliot Gardiner. Erato ECD 75390 (2 CDs)

Magnard: Guercoeur. José Van Dam, Hildegard Behrens, Nadine Denize, Gary Lakes, Michèle Lagrange etc./Orch. of the Capitole, Toulouse, Orfeón Donostiarra/Michel Plasson. French EMI 7491938 3 CDs)

EVERYTHING John Eliot Gardiner does on record turns to gold. In the French operatic line, at least, the Midas touch seems infallible: his Rameau recordings and Lyons Opera sets of Chabrier's *L'Etoile* and Gluck's *Iphigénie en Tauride* have easily found their place among the indispensable items on the operatic record shelf, and the new issue of Messager's *Fortunio* is bound to join them there. I should say at the outset that its two CDs have given me more pleasure than any records have for a long time: "Go out and buy" should be understood as the subtext of this notice.

Messager (1853-1929) was a musician of great gifts. Organist, noted conductor in Paris and London, lover and reviver of Rameau, Gluck, and Mozart, he is remembered not for these and many other musicianly acts so much as for the light operas he composed and the fine craft and distinction of style he brought to them. *Véronique* is probably the best known, but there were many others. In *La Basoche* Shaw admired the freshness, cleverness, cultivation and ingenuity, yet, he wrote, Messager "does not presume on his ability. The man who knows his place as well as this is scarce in French art."

By "knowing his place" Shaw clearly intended to praise, and praise justly, the feeling that the composer showed for the best traditions of French light and semi-serious opera. Messager's way of renewing those traditions was through the clean cut of his melodies, the individual touches of harmony, the knack of not wasting a note in summing up a mood or situation.

Fortunio (1907) is a semi-serious piece, a *conte lyrique* not unlike later Massenet works such a *Cendrillon* or *Grisélidis*. It begins lightheartedly, with the same Alfred de Musset play that had earlier supplied Offenbach with his one-acter *La Chanson de Fortunio*, about the naive young clerk in the elderly provincial notary's office, first used as decoy by the notary's young wife in her affair with an army captain, finally graduating to the position of her lover himself.

In comic citation Messager's neatness and sparkle show themselves again and again; but what gives the work its special savour is the tenderness of heart, the lyrical elegance of line, and the sophisticated conversational flow – the second act (of four, originally five) is a small miracle of deft French-language setting wedded to every twist and turn of plot. At the centre of the opera is a marvellous portrait of a romantic young man – the French Cherubino, he has been called – passionate, dreamy, and poetic, but the characterization of the experienced older woman to whom real love suddenly happens, the dashing, heartless Captain Clavaroche, and the foolish old husband is hardly less delicate or exact.

The pleasure of getting to know *Fortunio* is that of exploring a theatre-work that seems small, unpretentious and yet reaches further and higher than it promised to, that "knows its place" and at the same time re-invents that place. The Erato performance was based on the 1987 Lyons production with the same forces. No doubt this explains the feeling imparted by every player, vocal and instrumental, of being deep inside words and music. But first-rate casting also helps: who says there are no good French or francophone singers? Only shortage of space stops me using these columns to write the sublime Colette Alliot-Lugaz a love-letter under the full-voiced young tenor Dran in the title role, the Swiss baritone Cachemaille as Clavaroche, and the admirable character baritone Trempont as the cuckolded notary are hardly less successful, and the smaller roles are perfect.

Finally, however, it is the conductor's gift of keeping everything light, forward-moving, and unaffectedly romantic that completes the picture. That Gardiner, one of Britain's rare opera stylists, is encountered so infrequently in British opera houses is a scandal.

Albéric Magnard (1865-1914) is a little-known name, though not an unknown one – records of his music have previously passed through the catalogue, winning admirers on account for the weighty seriousness of approach and cultivated late-Romantic technique proper to a disciple of Franck and pupil of Vincent d'Indy.

Guercoeur, second of his three operas, is a brave, impressive undertaking for Plasson and his Toulouse company (aided, as in past Plasson-EMI sets, by the same San Sebastian choir). Quite unlike *Fortunio*, it shows the artistic idealism of the Third Republic period at its loftiest – a kind of *Gerontius* opera written in a post-*Parsifal* idiom. The titular hero is permitted to return from paradise to earth, finds all his political and personal endeavours there betrayed, and returns newly wise and chastened.

This is a work one would dearly like to love, for its high seriousness, and for the breadth of musical language in which it is couched. Unfortunately, the lack of theatrical energy is as comprehensive as the flatulence of verbal diction (Magnard wrote the libretto himself). In spite of powerful sentences and paragraphs, the whole strikes me as a Sunday School opera for adults.

If anything could persuade one to rate *Guercoeur* highly, it would be Plasson's performance, nobly played and sung, with a magnificent hero in Van Dam, undoubtedly one of the few great singers of our day. Hereafter I shall think of this as a "library-shelf opera;" but the adventurous should explore this excellent set and decide for themselves.

Max Loppert

Radio

Anarchy rife in the cafe

WITH PLAYS like *The Hamlet of Stepney Green*, Bernard Kops was rated among the interesting new writers of the sixties. His *Kafe Kropotkin* (Radio 4, Monday) belongs squarely in his established style. It is based in a downmarket cafe (said by the Radio Times to be in Soho, but sounding more like the Jewish East End) where the local Anarchists go. The atmosphere suggests the 1930s, with Blackshirt demos, and conflict in Spain, though the date specifically mentioned in 1948.

Bella (Elizabeth Bell), is a typical Kops woman, imperious and disdainful of men. She lives with Ron (David Swift) above the cafe, but we first meet her fresh from an abortion. "I hope you don't do heavy work." "Just living," she says typically. She sees off her father when he tells her of her mother's death ("I can only cry for the future") so he betrays her to her comrades – no working-girl she, but the daughter of a wealthy Leeds jeweller. No one cares.

As a change from Ron, she takes con-man Philip to Paris ("I'm sick of anarchists, they're mostly bums") – though how they got their travel documents I didn't understand. Back in London, comically selfish young Frank ("I want to be free! How do I become an Anarchist?") climbs Big Ben to impress Bella, but doesn't. So he plans to go to Spain with a sackful of pamphlets and £100 worth of dynamite he has paid Philip for, but, as all agree, will never see.

Teenage Jackie is so keen on Frank that she earns money as a tart to take him out, but when she is seduced by Max, who runs the cafe, she gases herself from shame. In an inconclusive conclusion, Bella is teaching Ron to waltz. It's a one-thing-after-another play, but full of incident in primary colours.

I was interested to see Anarchists close-to. All they do where I live is write SMASH THE STATE on walls, but Kops's lot act like Communists, not caring that in 1872 Bakunin's Anarchists were expelled from the Internationale. Too-frequent intrusion of music in Cherry Cookson's production is, I suspect, Kops's doing more than Cookson's. Bella, Frank (Alan Barker) and Jackie (Katharine Levy) had the most telling parts. I learnt more about cafe life than about Kropotkin's principles of anarchism, but I was never bored.

What's Love Got to Do with It? is the acute title of Radio 1's new venture into social commitment, on the lines of its earlier campaigns on drugs and AIDS. This is about sex. Over a background of pop records (many of them, virtually sexual), young people, of both sexes, talk about their experiences and ventilate their problems. The first of four programmes, 9.15 on Monday evenings, was devoted to the beginners, from puberty to the later teens, and it was clear that the title was thoughtfully chosen. Love was seldom mentioned in 45 minutes.

Researcher Alison Vernon-Smith had done well in getting the kids talking. One young voice after another told of experiences, seldom beyond "heavy petting," though they took it for granted that young people let loose together would expect some kind of intimacy, even if no more than kissing. One girl told how, when she was 10, she slept in the full sense of the word, with her 13-year-old brother. Two boys were content to be gay. Sex education at school was often just stale news.

The pop discs behind the talk use "love" not for lasting affection, only as invitation to intimacy. Adult voices, after John Peel's brief introduction, just sent listeners to the telephone "talkline" if they had problems to discuss in confidence.

Radio 1 markets its social programmes with great skill. It seems to me Last night, Radio 4's *Radio 4 Generation* reached Lust in their series about the deadly sins, but I can discuss that next week. Meanwhile, if Radio 1 needs another theme, they might try honesty.

B.A. Young

ARTS

A collective flourish of sentimentality

Nigel Andrews finds the best films at Venice are outside the competition, and disagrees with the jury

NEVER TRY to second-guess a film festival. Everyone at Venice expected the stormclouds to open around *The Last Temptation Of Christ*. Would a bolt of lightning be sent, by express courier, from the Vatican to Venice? If so, would director Martin Scorsese end up as a small piece of charred humanity in front of the Palazzo del Cinema?

No to both. Scorsese's film passed off without event. Instead the main object of controversy was Claude Chabrol's *Une Affaire De Femmes*. This film's alleged DIY guide to home abortion – Isabelle Huppert plays a housewife in Occupied France who terminates pregnancies to earn an extra franc or two (but ends up on the guillotine) – had lawsuits flying and protesters stomping up and down with placards cursing Claude and all his works.

The movie scarcely deserved the attention. Huppert apart, whose portrait of unblinking amorality is as good as her last one for Chabrol (*Violette Nozière*), the film moves through its plot with colourless linearity. And its hints on how-to-abort seem sketchy in the extreme. Instead the film typified a condition rampant in Venice movies this year: Auto-Pilot Art. Motto – "If the plot is boring or snazzy enough, all you need do is roll the camera and cue the actors."

Casualties of this creed at Venice '88 included John Schlesinger, Monte Hellman, Ivan Passer and Franco Zeffirelli. Schlesinger's *Madame Sousatzka* is a D-I-Y weepie, cobbled together out of Shirley MacLaine (possessive piano teacher wrestling to hold boy prodigy back from fame) and 1950s British production values (garish colours, ponderous plot twists). Hellman's *Iguana* is a promising story squandered by slack invention. What could have been *The Tempest* re-wrought for horror devotees, with a lizard-faced tyrant (Everett McGill) ruling his island slave colony, ends up with tatty photography and dial-a-cliché dialogue. And Ivan Passer's *The Haunted Summer* re-tackles the subject of *Gothic*: Byron, Shelley and Co on Lake Geneva – and produces a film whose costume-pic platitudes have one hankering for Ken Russell.

Zeffirelli's *Young Toscanini* is no less fatuous, but at least it has more fizz. This wins the 1988 Crazy Lion award. Signor Z, who foolishly embroiled himself in a pre-festival rumpus by denouncing Scorsese's film and threatening to withdraw his own, has a grand tale to tell and a star name to help tell it. The Italian conductor's baptism-of-fame on a Brazilian opera tour is spiced up with political debate – the free-the-slaves movement in South America – and with the screen comeback of Elizabeth Taylor. Taylor plays veteran diva Nadina Bulichova, who sang *Aida* for Arturo's debut in the pit.

Sounds fine in principle. But, *Mamma mia*, what a mess. The Venice audience, having loudly booed Zeffirelli's name in the credits (this is a pro-Scorsese crowd), stayed on to guffaw with increasing incredulity at the film's high-Hollywood line in romantic agony. Here is our maestro hero (C. Thomas Howell) conducting a sea-storm to imaginary blasts of Wagner; here is La Taylor stopping the *Aida* show in mid-Triumph scene to make a free-the-slaves speech; and here is Brazilian Emperor Philippe Noiret stomping out of his imperial box in imperial pique. (But never mind him. Brazil's slaves were freed two years later anyway.)

Words cannot convey the film's aura of total dottiness. Compared with *The Last Temptation Of Christ*, which is at least trying to be a movie for the 1980s, *Young Toscanini* comes on like *Song Without End* combined with *Uncle Tom's Cabin*.

The best movies at Venice were those that, like Scorsese's, pushed the envelope of cinematic possibility. Pedro Almodovar's *Women On The Verge Of A Nervous Breakdown* is a screwball comedy from Spain so high-speed it breaks the sound barrier. I frankly lost my plot bearings early on, as my brain shuttled busily between the Spanish dialogue and Italian subtitles. But the camerawork is a zany joy, the colours are in Post-modern Primary, and the performances are delicious. Look out especially for Carmen Maura's heroine, whose disintegrating nerves are held together by tranquillisers and the need to succour even nuttier girlfriends.

Geza Beremenyi's *Eldorado* from Hungary pounds through that country's postwar history, from Soviet annexation to the doomed '56 uprising. The movie tries to take in too many milestones and too many landmark ironies. But its venial merchant hero (Karoly Eperjes) has a Brechtian breadth and vigour, and the camera – in scenes of crowd panic or historical delirium – is brilliantly gymnastic.

Both these movies were in running for the Golden Lion. But the best two films at Venice were in non-competitive sideshows: Otar Ioseliani's *A Little Monastery In Tuscany* (Special Events) and John Hillcoat's *Ghosts Of The Civil Dead* (Critics Week).

The first, a 50-minute documentary from the Soviet director of *Favourites Of The Moon*, is a sly, prankish look at interconnecting lives in a small Tuscan town. It begins as highly-chiselled contrast: the sober, white-robed monks in their valley retreat, the townspeople working and wassailing on the hilltop. But Ioseliani rubs away at the differences and ends by suggesting there are few, if any, at all. That in our earthly round of wine and food and dreams and hope and striving, the secular and saintly lives – though seeming to travel in opposite directions – invariably meet on the other side of life's curvature.

From Australia, *Ghosts Of The Civil Dead* is a film of startling originality: a futuristic conspiracy fable, set in a high-security desert prison where violence and rebellion are provoked by the authorities. Long-term aim – to bring about a police state. Immediate effect – a crumbling of order brilliantly depicted in the film's disorienting narrative technique (no central viewpoint but a kaleidoscope of lives and characters) and in the no-holds-barred depiction of such matters as drug abuse and prisoner abuse. Life may not be as bad as this in Brixton or the Scrubs. (Yet.) But Britain should take note.

Britain had little to take note of in the prizes beyond a Best Actress nod to America's Shirley MacLaine in the British entry *Madame Sousatzka* (shared with Isabelle Huppert for the Chabrol film). The festival jury, in what can only have been a collective flourish of sentimentality, gave the Golden Lion to Ermanno Olmi's *Legend of the Holy Drinker* (reviewed in my last report). This is far from Olmi's best movie, but perhaps the jury wanted to recognize a career and a much loved director's illness. Runner up prizes went to Greece's *Landscape of Mist* and Senegal's *Camp Thiaroye*. But the most satisfying award was that for Best Actor, shared by Don Ameche and Joe Mantegna, for David Mamet's *Things Change*. For my money, that was the film for the Golden Lion.

Guglielmo Biraghi's second year as festival director confirms him as a one-man Venice-in-Peril saviour. He has improved the event beyond recognition. Though the Main Competition was weaker this year than last, the surrounding programmes richly compensated. And even the Scorsese rumpus had its positive side: beaming down the world's headlines on a festival that deserves but seldom gets as much publicity as Cannes. 1989 is much looked forward to. The Lion goes from strength to strength.

DIY guide to home abortion: Isabelle Huppert in the film which attracted all the controversy, Claude Chabrol's "Un Affaire di Femmes," for which she won a Best Actress award

Financial intrigue in Sydney

Michael Coveney reviews a new Australian play at Hammersmith

THE LYRIC Hammersmith's plans for a bicentennial feast of new Australian theatre, "Oz '88," have been hit by a succession of disasters, most of them to do with money.

The lone survivor on the programme, Stephen Sewell's bilibus, epic and labyrinthine financial thriller *Dreams in an Empty City*, opened in a production by Keith Hack on Thursday night that is reported to have cost £200,000, not all of it secure. As I crossed the Lyric's threshold, the artistic director, Peter James, cheerily inquired if I had any money to spare.

Luckily for me, any more ruthless approach, such as documented in the play, was not pursued. But you can see what has to be paid for the minute Wytek's spectacular evocation of modern Sydney is revealed. An underwriter, Wilson, inhabits a glass castle above the harbour, his transparent board-room table surrounded by ladders, girders and towering sheets of plastic that thrillingly evoke a Chandleresque setting of financial and murderous intrigue.

This high-tech web of financial finagling is also inhabited by a ruthless and unattractive tycoon, Wiesland, who is $900m in debt and is trying to recover funds by fraudulently re-valuing his properties; a money markets floor-manager who is under Federal investigation and a conscience-stricken ex-priest, Chris, whose family company has been chewed up by the tycoon and who is haunted by a criminal brush with the drug scene in Thailand.

The sensuality of round the clock city trading, the sense of an imminent Crash in an ethically impoverished climate of tax evasions, pushed loans and lost investment, all this is familiar from the film *Wall Street* and the play *Serious Money*. As in the latter piece, the murder plot is perfunctorily handled. But Sewell has a strong, powerful voice and is not afraid to raise it. The cry, it comes as no great surprise, is for a renovation of Christian values.

The style and structure resemble another significant British play of the '80s, *Pravda*, not least in the snapshot placing of characters in materially allusive environments: Wiesland by his swimming pool, Wilson at the theatre, minor victims and accomplices at the zoo, a bowling alley, an art gallery.

Some of this is simply too compressed, leaving insufficient time to mix establishing information with the denser narrative Sewell seeks. But the attempt is fascinating, and Mr Hack's manipulation of too many black-outs and too much furniture impressively efficient.

The cast manage to project performances of some variegation and intensity, notably Lewis Fitz-Gerald as the voice of protest and Philip Madoc and Warwick Moss as the deviously inter-dependent protagonists. A gallery of sharply-etched ladies include Nyree Dawn Porter (to name but three), Anna Nygh and a striking newcomer, Gabrielle Mason. Lines like "Don't come the raw prawn with me, you cheap slut!" remind us of the native vernacular that is such an expressive gift to so many contemporary Australian dramatists.

This flawed and bumpy evening deserves to be supported, but financial innocents such as myself would have been much aided by a more informative programme. The Prince of Wales is going on Wednesday, that is if nobody intervenes, as they did on the train-robber film, with objections to "criminal" content. If we are not careful, our future king will soon be confined to an entertainment diet of Walt Disney cartoons and Sooty's Christmas show.

Devious protagonist: Warwick Moss

Opera in the outback

Max Loppert, together with 8000 others, helps celebrate the Australian Bicentenary

THE ARTS celebrations of the Australian Bicentennial Year are still in full swing, right across the country. Last weekend the state of South Australia played host to perhaps the most unexpected of the lot – which (courtesy of Qantas, who was its principal sponsor) I was there to share with an audience of more than 8,000 others.

Also present were Kiri Te Kanawa, the Adelaide Symphony Orchestra, the Australian Army, and the flora and fauna (including some noisily assertive corella birds) of the Yalkarinha Gorge in the Northern Flinders Range, more than 300 miles north of Adelaide. This most magnificent outback location, stark, isolated, and uninhabited, turned out to be a breathtaking backdrop for an outdoor operatic concert: a mad gamble that paid off.

The main railway line from Adelaide to Alice Springs runs past the dry-gully entrance to the gorge. Not far off are the town of Leigh Creek (devoted entirely to the coal-mining business of the Electricity Trust of South Australia or ETSA) and the ghost mining town of Beltana, where three quarters of a century ago the Presbyterian minister John Flynn – Flynn of the Outback – dreamed up the crackpot notion of a flying doctor service, finally made fact in 1928. These proved to be the main strands highlighted in the Bicentennial celebratory plan formed two years ago by officials of Australian National Railways and ETSA: an operatic event of some sort in the area, proceeds of which were to go entirely to the Royal Flying Doctor Service.

First step was a reconnaissance of the area, which yielded the gorge as most promising site. Thereafter, Dame Kiri, the Adelaide Symphony, and the conductor John Hopkins were attracted to the proposal; a multitude of sponsors was found, with Qantas at their head; opera trains bringing audiences from Adelaide, Melbourne, and Sydney and back after the concert (an eight-hour journey from Adelaide) were organized; separate campsites were set up for other types of ticket-buyers; and then the full – and staggeringly complicated – business of turning the gorge into a concert space without disturbing more than briefly the natural splendour of the environment was begun in earnest.

In this a division of the Army played a crucial role, providing the bush toilets on site and erecting 50 administrative marquees and tents, one of which where, along with other guests of the Australian Tourist Commission and Australian media people, your correspondent spent a notably chilly and dusty but nevertheless resolute post-concert night fully clothed in a thin army sleeping-bag on a narrow army stretcher.

The logistics of providing Yalkarinha Gorge with a stage and seats, not to mention food for those audience-members not returning on the trains, threw up some fascinating statistics of unparalleled outback transportation: 12,000 seats, building material for a 108' x 40' stage with a 60' x 40' roof capable of carrying 250 concert lights and computerized lighting display, 8km of electrical cable, 2.5km of festoon lighting, ten 30' temporary light towers, 5 refrigerator pantechnicons, and so on and on.

Before the concert patrons were invited to attend the Beltana Horse Races, which have been held for 110 years, but which this year were given a big boost in the form of proper new race track near the railway line. There, and then as by bus or car or on foot the crowds swirled from the race-ground in the direction of the gorge, the festive atmosphere was infectiously exhilarating. Many people in the audience were, of course, city opera habitués, but for many others this was to be the first-ever encounter with a supposedly rarefied art-form.

Kiri Te Kanawa in the South Australian Flinder's Ranges

By what artistic criteria is such an event to be judged? Not, surely, by those more stringent standards applicable to a Te Kanawa opera concert at Covent Garden or the Festival Hall. At the moment of sunset behind the gorge and later under the stars, with only a gentle breeze waving in the gumtrees fringing the site and with birds flapping overhead, one was not disposed to be too narrowly critical – and anyway the clockwork quality of the organization demanded recognition in equal measure.

Of necessity, singer and instrumentalists were amplified on stage, in a way tending to keep all but the softest musical statements to a single dynamic level. Dame Kiri's programme was a mixture of operatic and "light" airs which in truth found her in distinctly fragile, unsettled voice, with regular little cracks on high notes at first, and a top less secure and low notes (and verbal recall) even sketchier than usual – whether it was the dust, the well-cooled open air, or some other passing ailment was not disclosed.

Yet there were some memorable things – the big numbers for Micaela, Louise, Adriana Lecouvreur, and Puccini's Angelica all floated with a soft tenderness that survived even the big speakers, "Summertime" likewise; for those who had never heard this voice before the encounter was evidently a happy one. The singer's uncomplicated personality, particularly fresh and cheerful during the encores, went down ideally in the context. Occasions of this kind – good-hearted popular celebrations finely engineered on a massive scale – are always more than the sum of their component parts, and this one had the special splendour of its enclosing environment to round out the impression.

Another Chinese night

ODD TO be writing about *Nixon in China* one week and Judith Weir's *A Night at the Chinese Opera* the next: both of them more musical shows than "operas," neither very seriously Chinese, each a popular and original success. Where the composer John Adams merely slipped some pastiche Hong Kong pop into *Nixon*, Miss Weir evokes the sound and some of the idioms of traditional Chinese music; but the dramatic points she makes with them are, like his, strictly Western, modern and ironical.

Her real aim was to capture the speed and clarity of Chinese story-telling in the theatre – and, obviously, to invest it with her own pawky humour. In Richard Jones's Kent Opera production (with ingenious designs by Richard Hudson), which revisited the Elizabeth Hall this week, the wry freshness of the fable was intact. As for clarity, it has to be said that though the revamped hall accommodates purpose-designed operas and older ones with modest orchestras very well, an intended pit-band with prominent wind and percussion – but no pit – is still a threat to sung words: we lost many. A mini-Bayreuth orchestra-lid would be a good investment.

As for speed, the witty stage-inventions by Jones and Hudson answer faithfully to the Weir spirit – but her pithy economy was stretched thin by two longish intervals; and after the uproarious cartoon capers of the Act 2 play-within-a-play (with minimal music) the soberer realisation of Act 3, the mock-tragic finale, still seems a bit flat and makeshift. The last musical numbers carry sufficient weight, I think, but the visible action upon which they depend needs sharper focus.

I register this cavil because Weir's elegant score for *A Night at the Chinese Opera* is entirely conceived for stage completion (like *Nixon in China* for Peter Sellars' treatment), and the Jones-Hudson version is mostly so winning that it ought to be made definitive. This *Night* belongs to an old, very British tradition of "opera," where intermittent music defines the character of the piece but not the action, which is left to speech and stylised pantomime (think of Purcell's *Faery Queen*, Gay's *Beggar's Opera* and Weber's *Oberon* for Covent Garden).

Kent Opera fielded a suitably anxious hero (Gwion Thomas) and sinister villains (Michael Chance and Stephen Richardson); better still the comic trio for the play-within-a-play (Meryl Drower, Frances Lynch and Alan Oke), who may well turn out to be the founding-figures of Alternative Comedy Opera.

David Murray

Chess No. 739:
1 R-QN4. If QxQ; 2 B-K4, or Q-Q4; 2 B-N5, or Q-Q5; 2 R-N3, or P-K4; 2 Q-R3, or B moves; 2 Q-R7.

SPORT

Zina Garrison, conqueror of Martina Navratilova

Turning point in tennis history

John Barrett, at the US open tennis championships, looks back on an era of change

THIS YEAR'S US open tennis champion ships will mark a turning point in the history of professional tennis. On and off the court changes have taken place that are both evolutionary and revolutionary – the inevitable results of 20 years of rapid growth since the emergence of open tennis in 1968. Alongside Steffi Graf's inexorable march towards her Grand Slam, player power, injuries and the emergence of some fine young Americans and Australians have been the main themes.

Graf has been awesome. In winning the five matches that brought her to her eighth consecutive Grand Slam semi-final she lost just 13 games. The last time she was beaten in a major championship was at this stage last year when Martina Navratilova won 6-1, 6-7, 7-6, against an ailing opponent. The only set the 19-year-old German has lost in winning 26 consecutive Grand Slam matches this year was the fist set of her Wimbledon final against Martina. Her two losses to Gabriela Sabatini in the spring are the only blemishes on an otherwise spotless record.

Miss Navratilova's dramatic 6-4, 6-7, 7-5, loss to Zina Garrison on Wednesday afternoon was unquestionably the match of the championship. For sheer drama it equalled anything I can remember seeing here over the past 20 years. Leading by a set and 5-0 the Houston girl served for the match twice and double-faulted on the first of four match points she held at that stage. The second serve was hit harder than the first – straight into the bottom of the net. It seemed that the memory of 21 consecutive defeats at the hands of the former world champion would prevent Zina from completing a victory that she truly deserved after some enterprising volleying and wonderfully athletic court coverage.

When Martina had fought back to win the second set on a tie-break it seemed inevitable that she would go on to complete a routine win. But her conviction is no longer there. The zip has now gone from her volleys and her passing shots lack pace. Inevitably her confidence has been affected, too, as we saw in the closing stages.

Twice more Garrison served for the match in a final set of unbearable tension before finally despatching a forehand volley on her sixth match point that brought her the finest victory of her career.

For Martina this closes a chapter. Until now she has won at least one Grand Slam title every year since 1980. I shall be surprised if she ever wins another. Martina's contention, expressed through Nancy Lieberman who has resumed her role as trainer, that her best tennis lies ahead is merely self deception.

Her unexpected loss with Pam Shriver in the semi-finals of the doubles to Gigi Fernandez and Robin White rather confirms the fact. Martina has made an immense contribution to the development of the women's game over the past decade but the torch is now carried by the new generation – Graf and Sabatini, the Russian girl Natalia Zvereva and Arantxa Sanchez of Spain, and, yes, Garrison. As Martina will discover, the one opponent who no champion ever beats is Old Father Time.

After two weeks of stunning upsets among the men (only four seeds survived to the last 16) Andre Agassi, Michael Chang and Aaron Krickstein emerged as the new heroes of the American game. With his quarter-final victory in straight sets over the world's No.6 Jimmy Connors on Thursday night 18-year-old Agassi finally opened a new chapter the domestic game and ended the doubts about his ability to beat the top players. Agassi's rise has been truly spectacular. He has rocketed from a ranking of 70 when he entered this championship last year to fourth via seven Grand Prix tournament successes. But his match today against three-time defending champion Ivan Lendl will tell us much more about his present standing.

Michael Chang has been delighting us all as he did against Henri Leconte at Wimbledon. The 16-year-old has tremendous poise and a depth of concentration beyond his years. The strong legs carry him about the court with amazing pace and perfect timing allows him to feed off the pace of his opponents to embarrass them with passing shots of great power and accuracy. He can volley too and his natural instinct for tactical variation makes him already a formidable adversary – as Jonas Svensson, the 13th seed, and the experienced Tim Wilkison discovered when Chang beat each of them in five sets in successive rounds. By the time he met Agassi, without the advantage of a day's rest, Chang was emotionally spent.

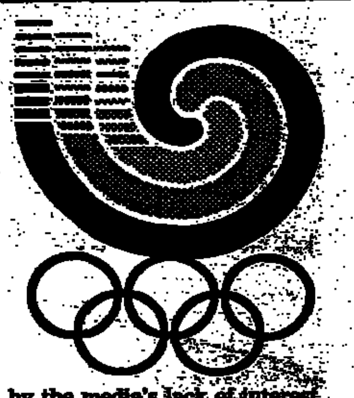
Krickstein's defeat of the Wimbledon champion Stefan Edberg on a cold and windy evening was another milestone in the switchback career of a remarkable prodigy. At No.7 in the world when he was 17, Aaron dropped to the 60s after three operations to knee and ankle and a motor accident. He is now at No.20 and rising at the ripe old age of 21. The competition from Chang and Agassi is the best thing that has happened to Aaron and although he lost here to Australia's Darren Cahill in the quarter-finals he was far from disgraced.

Cahill's defeat of Boris Becker, the starting effort of fellow South Australian Mark Woodforde in beating John McEnroe and the composure of young Jason Stoltenberg in bringing down Yannick Noah were the brightest spots in some fine performances by the young Australians. However, the state of Becker's feet and Noah's knees underlined the dangers of playing too much on these unyielding courts which also contributed to the withdrawal of Pat Cash who has an achilles tendon injury. Perhaps the Americans should take heed of the surface at Tennis Australia's new National Tennis Centre in Melbourne, an asphalt skin over shredded motor car tyres that make the courts beautifully resilient.

The next spin of the whirling tennis roundabout takes us all to Korea and the Olympic Games. For the first time since 1924 players from 40 countries will be competing for just the medals and the glory. In an already crowded programme I wonder whether the Olympics really needs tennis. Despite the overcrowded calendar tennis certainly needs the Olympics, especially in those countries whose governments disburse sporting funds only through their Olympic committees. In Seoul we are on hard courts again. I simply hope we all last the pace.

A Seoul chance of survival

Paul Abrahams hopes the Olympics will arrest fencing's decline



THE VISION of D'Artagnan or Captain Blood swashbuckling their way to rescue a platinum-blonde heroine is an image that the British Amateur Fencing Association (AFA) has been trying to avoid. But in recent years it has been the association's motto, "Fencing – a modern sport," that has been looking increasingly anachronistic.

"British fencing is in danger of entering a terminal decline," says Barry Paul, manager of Leon Paul, the UK's leading manufacturer of fencing equipment. "Its only chance for survival could be an Olympic success at Seoul."

The AFA admits that the sport in the UK is facing a crisis. Although its membership is holding steady at about 3,500, the number of active fencers – there are probably less than 10,000 – is falling. In France it is estimated there are about 53,000 fencers, and in West Germany about 24,000.

Barry Paul has watched the decline in the number of British fencers with alarm, for his company has seen its domestic market shrink rapidly over the last five years. It now exports more than 50 per cent of production.

"The implications of a shrinking base are serious for top level competitive fencing. Without a strong base at grass-roots, it will become almost impossible to win Olympic medals. The problem is that without Olympic medals, it may be too late to build grass-roots," says Paul.

Nick Halsted, AFA president, says that if British fencers are successful at Seoul, much of the credit could be put down to the training methods of Ziemowit Wojciechowski, a Polish fencer who has been coaching many in the national squad since he defected in 1978.

Members of the British foil team say that since Wojciechowski became national foil coach there has been a revolution in training methods. The British team says there has been a direct impact on foil results, which have improved considerably during the 1980s. The leading woman foilist, Linda Martin, came 10th at the Los Angeles Games, and third in the World Cup last year. In the men's team, Pierre Harper was 7th in the Martini World Cup in 1983 and Bill Gosbee took 5th in the same competition this year.

Despite these results, British fencers face a stiff test in Seoul. Daniel Revenu, the national technical director of the French Fédération Nationale d'Escrime, says the men's individual foil will be highly competitive.

"Although it is difficult to prophesy the medalists, I doubt Billy Gosbee, who is Britain's best chance, will make the rostrum," he says.

"The two Germans who were first and second in the world championships, Mathias Gey and Matthias Behr, must have a chance. The Italians also have a very strong team, and I cannot rule out the Frenchmen, Joussef Hocine and Patrick Groc, who were second and fourth in the Martini in Paris this January."

Wojciechowski hopes British fencers will reach the last 16 in both men and women's foil. A finalist is not beyond the realms of possibility.

However, he is worried for the future of British fencing. He points out that the British team is older than most European teams. The oldest member of one of the strongest teams, the Italian, is 27 – the same age as the youngest member of the British.

The problem is that there are simply not enough good youngsters coming up behind the national team. There are about five or six, he says, but there should be 40. A declining base could soon start to hurt the national squad.

"The problem was that fencing became heavily dependent on local education authorities and state schools for funding," says Nick Halsted, president of the AFA. "When they came under financial pressure from the government, there was a tendency to cut peripherals, and one of the first things to go was fencing. The number of fencers started to collapse."

Halsted says that the sport in Britain has not been helped by the media's lack of interest. He laments the lack of television coverage, disagreeing with those who argue that fencing is a poor spectator sport.

In an attempt to promote the sport, the AFA has recently appointed Alan Skipp as national coordinator. One of his main objectives is to implement the approach set down by the Sports Council to encourage participation.

Among other measures, he has started a scheme which introduces fencing at a basic level to teachers with no experience in the sport. He says that in the four months since it was set up the response has been enormous.

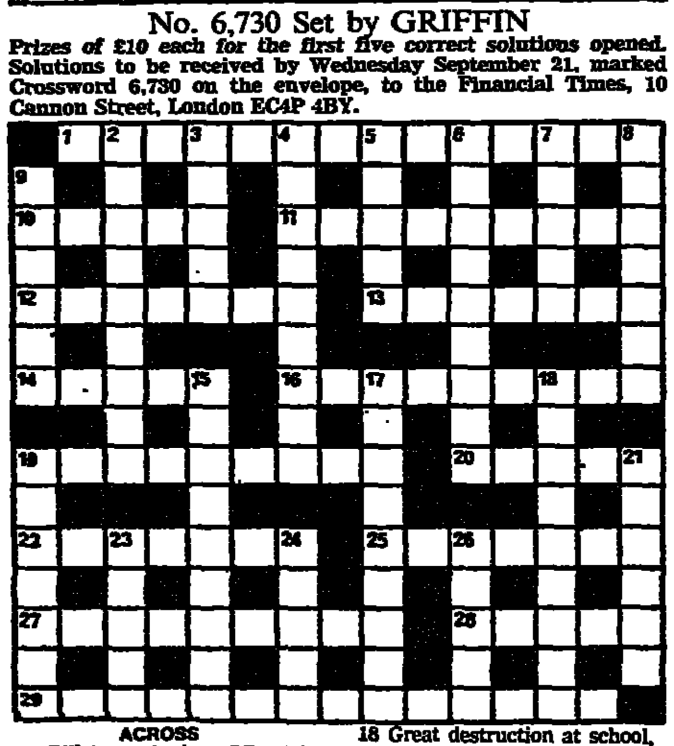
Skipp admits that the need for the scheme was urgent. He says that alarm bells started ringing at the AFA last season when only 30 people entered for the national foil championships.

"Olympic success would be very important," says Halsted. "The publicity would have important benefits in terms of spin-offs. It would justify to the Sports Council that it had spent its money wisely. It would attract sponsors and television. Most importantly, it would attract youngsters back to the sport."

CROSSWORD

No. 6,730 Set by GRIFFIN

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday September 21, marked Crossword 6,730 on the envelope, to the Financial Times, 10 Cannon Street, London EC4P 4BY.



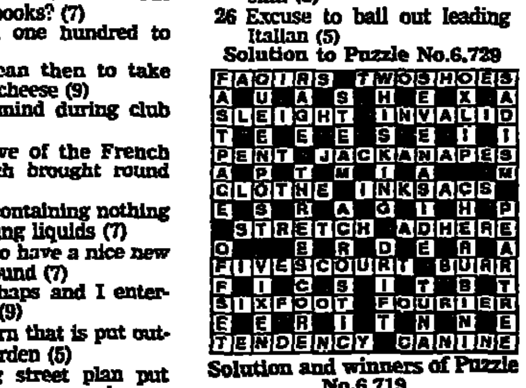
ACROSS

1 Bill (remark about LP): "His version is an achievement" (14)
10 Charge Pole caught inside barrier (5)
11 Wander back first and put in a new order (9)
12 Inactivity is fashionable; I tear around (7)
13 Turning to Heath about naughty books? (7)
14 Add back one hundred to score (5)
16 Cooks mean then to take pound of cheese (9)
18 Changed mind during club game (9)
20 Search five of the French the French brought round (5)
22 See cans containing nothing but soothing liquids (7)
25 Intended to have a nice new iron surround (7)
27 Various chaps and I entering races (9)
28 Form of urn that is put outside to burden (5)
29 Is holding street plan put before cinema employees (14)

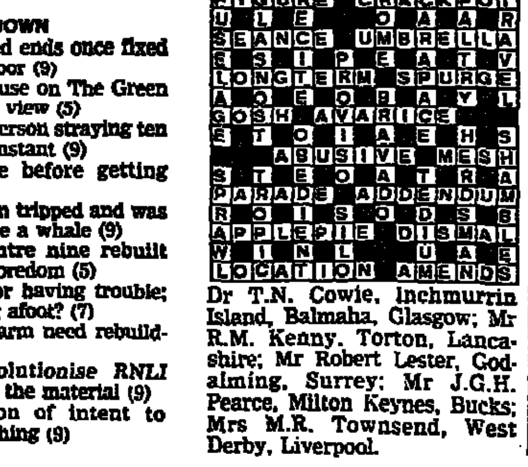
DOWN

2 Compressed ends once fixed to front door (9)
3 Second house on The Green is open to view (5)
4 For each person straying ten will be constant (9)
5 Chide one before getting angry (5)
6 Poor Haden tripped and was caught like a whale (9)
7 Youth centre nine rebuilt without boredom (5)
8 Note doctor having trouble; something afoot? (7)
9 Verify if farm need rebuilding (6)
15 Will revolutionise RNLI once I got the material (9)
17 Declaration of intent to reveal nothing (8)
18 Great destruction at school, possibly around mid-January (9)
19 Hotel employee may be rung before dance (7)
21 He leaves Helen, poor woman, in time (6)
23 Dance with Brown when on leave (5)
24 Neat, upright writing takes skill (5)
26 Excuse to ball out leading Italian (5)

Solution to Puzzle No.6,729



Solution and winners of Puzzle No.6,719



Dr T.N. Cowie, Inchmurrin Island, Balmaha, Glasgow; Mr R.M. Kenny, Torton, Lancashire; Mr Robert Lester, Godalming, Surrey; Mr J.G.H. Pearce, Milton Keynes, Bucks; Mrs M.R. Townsend, West Derby, Liverpool.

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